

# Annual Financial Statements 2019/2020

*Endumeni Municipality*

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**Endumeni Local Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2020

**General information**

**Members of the Council**

Cllr SB Mdluli	Mayor
Cllr MI Nkosi	Deputy Mayor
Cllr LT Khumalo	Speaker
Cllr AS Ndlovu	Member of the Executive Committee
Cllr MH Xaba	MPAC
Cllr TM Mahaye	Member
Cllr FN Mthethwa	Member
Cllr NE Khanyile	Member
Cllr AM Raubenheimer	Member
Cllr B Khan	Member
Cllr SN Zwane	Member
Cllr TI Makaba	Member
Cllr CJ Carelse	Member

**Accounting Officer**  
Mr SD Mbhele

**Chief Financial Officer**  
Mr A Ngcobo

**Grading of Local Authority**  
3

**Auditors**  
Auditor-General

**Bankers**  
FNB Bank

**Endumeni Local Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2020

**General information (continued)**

<b>Registered Office:</b>	Endumeni Municipality
<b>Business address:</b>	64 Victoria Street Civic Centre Dundee 3000
<b>Postal address:</b>	Private Bag X2024 Dundee 3000
<b>Telephone number:</b>	034 212 2121
<b>Fax number:</b>	034 212 3856
<b>E-mail address:</b>	<a href="mailto:pamm@endumeni.gov.za">pamm@endumeni.gov.za</a>

**Endumeni Local Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2020

**Accounting Officer's Responsibilities and Approval**

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and given unrestricted access to all financial records and related data.

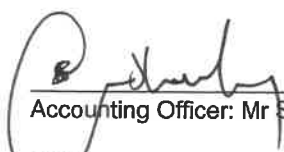
The annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit. The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 2020 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future. These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months. The municipality however faces challenges of debtor non-payment and the high rate of electricity losses due to theft.

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 61, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

  
Accounting Officer: Mr SD Mbhele  
31 October 2020

**Endumeni Local Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2020

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**Abbreviations**

MFMA	Municipal Finance Management Act (Act No. 56 of 2003)
MSCOA	Municipal Standard Chart of Accounts
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MIG	Municipal Infrastructure Grant

**Endumeni Local Municipality**  
**Statement of Financial Position**  
as at 30 June 2020

	Note	2020	2019
		R	RESTATED R
<b>ASSETS</b>			
<b>Current assets</b>		<b>77 213 184</b>	<b>73 913 123</b>
Inventories	2	6 607 337	6 446 923
Cash and cash equivalents	3	34 333 310	43 181 420
Current portion of non-current receivables	4	0	0
Receivables from exchange transactions	5	12 667 008	9 123 195
Receivables from non-exchange transactions	6	23 605 528	15 161 586
<b>Non-current assets</b>		<b>366 351 300</b>	<b>364 589 867</b>
Property, plant and equipment	7	310 721 512	308 652 354
Intangible assets	8	82 787	115 513
Investment property	9	55 547 000	55 822 000
<b>Total assets</b>		<b>443 564 484</b>	<b>438 502 990</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>62 238 347</b>	<b>56 827 772</b>
Payables from exchange transactions	10	35 094 695	31 504 474
Consumer deposits	11	5 227 697	5 122 224
VAT payable	12	3 925 527	3 047 189
Provisions	13	3 868 282	3 401 335
Unspent conditional grants and receipts	14	14 122 146	13 752 551
<b>Non-current liabilities</b>		<b>60 929 984</b>	<b>63 339 724</b>
Provisions	13	15 537 937	13 364 392
Employee Benefit Obligations	41	45 392 047	49 975 332
<b>NET ASSETS</b>		<b>320 396 153</b>	<b>318 335 495</b>
Housing Development Fund	15	4 636 077	4 548 969
Accumulated surplus / (deficit)		315 760 076	313 786 525
<b>Total net assets</b>		<b>320 396 153</b>	<b>318 335 495</b>

**Endumeni Local Municipality**  
**Statement of Financial Performance**  
for the year ending 30 June 2020

	Note	2020 R	2019 RESTATED R
<b>REVENUE</b>			
<b>Revenue from exchange transactions</b>		<b>143 628 277</b>	<b>147 607 397</b>
Service charges	18	135 517 062	133 877 446
Rental of facilities and equipment	19	1 394 488	1 508 127
Interest earned - external investments	20	2 799 884	2 963 471
Licences and permits		2 927 625	4 119 369
Operational revenue from exchange transactions	22	989 218	5 138 984
<b>Revenue from non-exchange transactions</b>		<b>168 669 974</b>	<b>174 819 278</b>
Property rates	17	83 643 629	79 156 962
Property rates - penalties and collection charges		11 799 848	10 189 465
Fines		2 300 458	2 407 751
Transfers and subsidies	21	70 926 038	83 065 101
<b>Total revenue</b>		<b>312 298 251</b>	<b>322 426 675</b>
<b>EXPENSES</b>			
Employee related costs	23	115 350 307	111 347 049
Remuneration of councillors	24	4 679 487	4 104 787
Debt impairment	5	10 671 309	13 928 457
Contribution to landfill site provision	13	2 189 607	162 722
Municipal services cost		4 107 226	4 622 322
Depreciation	25	13 616 000	13 157 634
Amortisation	25	32 725	40 346
Bulk purchases electricity	26	103 897 454	89 415 159
Contracted services	27	20 504 219	23 400 161
Operational costs	28	35 996 019	50 247 419
Retirement and long services benefits	41	(1 061 917)	4 660 244
<b>Total expenses</b>		<b>309 982 437</b>	<b>315 086 300</b>
Gain / (loss) on sale of assets	29	-	(2 842 085)
(Impairment loss) / Reversal of impairment loss	30	(121 634)	(17 223)
Gain / (loss) on fair value adjustment	31	(275 000)	9 047 000
Inventories: (Impairment loss)/ Reversal of impairment loss	30	23 907	(83 188)
<b>Surplus / (deficit) for the period</b>		<b>1 943 087</b>	<b>13 444 880</b>

**Endumeni Local Municipality**  
**Statement of Changes in Net Assets**  
as at 30 June 2020

	Housing Development Fund	Insurance Reserve	Accumulated Surplus/(Deficit)	Total: Net Assets
	R	R	R	R
<b>Opening balance as previously reported 2018</b>	<b>4 447 628</b>		<b>298 331 738</b>	<b>302 779 366</b>
Reclassification of Insurance reserve to surplus				-
Prior period error (Refer to note 35)			1 556 767	1 556 767
<b>Restated Balance as at 30 June 2018</b>	<b>4 447 628</b>	-	<b>299 888 505</b>	<b>304 336 133</b>
Implementation of IGRAP 18			( 823 314)	( 823 314)
Restated Surplus for the year	-		13 444 880	13 444 880
Transactions for the year	101 341	1 276 454	-	1 377 795
Reclassification of Insurance reserve to surplus		( 1 276 454)	1 276 454	-
Effect of rounding in the financial statements			( 0)	( 0)
<b>Restated Balance as at 30 June 2019</b>	<b>4 548 969</b>	-	<b>313 786 525</b>	<b>318 335 495</b>
Surplus / (deficit) for the period				
Transactions for the year	87 108	-	1 943 087	1 943 087
Reclassification of Insurance reserve to surplus		30 464		117 571
Effect of rounding in the financial statements		( 30 464)	30 464	-
			( 0)	( 0)
<b>Balance at 30 June 2020</b>	<b>4 636 077</b>	-	<b>315 760 076</b>	<b>320 396 153</b>

Refer to note 16 for ring fenced reserves within accumulated surplus

**Endumeni Local Municipality**

**Cash Flow Statements**

as at 30 June 2020

	<b>Note</b>	<b>2020</b>	<b>2019</b>
		<b>R</b>	<b>RESTATED</b>
		<b>R</b>	<b>R</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>		<b>366 144 211</b>	<b>306 675 957</b>
Sales of goods and services		287 284 216	213 865 908
Transfers and subsidies		78 859 995	92 810 048
<b>Payments</b>		<b>362 038 543</b>	<b>287 987 918</b>
Employee costs		117 551 147	110 792 533
Suppliers		244 487 396	177 195 386
<b>Cash generated from operations</b>	<b>32</b>	<b>4 105 669</b>	<b>18 688 039</b>
Interest received		2 799 884	2 963 471
Interest paid		-	-
<b>Net cash flows from operating activities</b>		<b>6 905 553</b>	<b>21 651 510</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets (PPE)	7	( 15 806 797)	( 19 523 070)
Proceeds from sale of fixed assets		-	1 000 281
Proceeds from sale of investments		-	-
Purchase of intangibles	8	-	-
Decrease/(Increase) in Long term receivables		( 52 340)	( 59 726)
<b>Net cash flows from investing activities</b>		<b>( 15 859 137)</b>	<b>( 18 582 515)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of borrowings		-	-
Decrease/(Increase) in Consumer deposits		105 473	301 565
<b>Net cash flows from financing activities</b>		<b>105 473</b>	<b>301 565</b>
Net increase / (decrease) in cash and cash equivalents		( 8 848 110)	3 370 560
Net cash and cash equivalents at beginning of period		43 181 420	39 810 860
<b>Net cash and cash equivalents at end of period</b>	<b>33</b>	<b>34 333 310</b>	<b>43 181 420</b>

**Lumeni Municipality**  
**Comparison of Budget and Actuals**  
**as at 30 June 2020**

	Original Budget	Budget Adjustments (l.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Virement (l.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	2 020 Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	2 019 Audited Outcome
<b>Financial Performance</b>														
Property rates	83 322 732	-	83 322 732		83 322 732	83 643 629		320 897	100	100				79 156 962
Service charges	153 286 898	(3 689 682)	149 617 216		149 617 216	135 517 082		(14 100 154)	91	88				133 677 446
Investment revenue	1 805 000	(1 805 000)	2 800 000		2 800 000	2 799 884		(116)	100	61				2 993 471
Transfers recognised - operational	62 082 000	3 775 000	65 857 000		65 857 000	56 660 358		(9 196 642)	86	91				57 751 706
Other own revenue	21 246 971	474 700	21 721 671		21 721 671	19 411 638		(2 310 033)	89	91				32 410 695
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>324 543 601</b>	<b>(1 224 982)</b>	<b>323 318 619</b>		<b>323 318 619</b>	<b>298 032 572</b>		<b>(25 286 047)</b>	<b>92</b>	<b>92</b>				<b>306 160 280</b>
Employee costs	129 500 207	(6 484 327)	123 015 880	-	123 015 880	114 288 390	(8 727 490)	(8 727 490)	93	88	-	-	-	116 007 293
Remuneration of councillors	4 757 148	-	4 757 148	-	4 757 148	4 679 487	(77 661)	(77 661)	98	98	-	-	-	4 104 787
Debt impairment	7 463 688	-	7 463 688	-	7 463 688	10 671 309	3 207 641	3 207 641	143	143	-	-	-	13 928 457
Depreciation & asset impairment	11 216 793	-223 000	10 993 793	-	10 993 793	13 770 360	2 776 567	2 776 567	125	123	-	-	-	13 215 203
Finance charges				-					-	-	-	-	-	
Materials and bulk purchases	106 561 741	(1 995 474)	104 566 267	-	104 566 267	104 346 082	(220 185)	(220 185)	100	98	-	-	-	89 970 001
Transfers and grants	310 000	-	310 000	-	310 000	15 482	(294 518)	(294 518)	5	5	-	-	-	-
Other expenditure	73 825 558	7 974 772	81 800 330	-	81 800 330	62 584 054	(19 216 276)	(19 216 276)	77	85	-	-	-	80 803 055
<b>Total Expenditure</b>	<b>333 635 115</b>	<b>(728 029)</b>	<b>332 907 086</b>	-	<b>332 907 086</b>	<b>310 355 164</b>	<b>(22 551 922)</b>	<b>(22 551 922)</b>	<b>93</b>	<b>93</b>	-	-	-	<b>318 028 796</b>
<b>Surplus/(Deficit)</b>	<b>(9 091 514)</b>	<b>(496 953)</b>	<b>(9 588 467)</b>	-	<b>(9 588 467)</b>	<b>-12 322 592</b>			<b>-2 734 125</b>	<b>136</b>				<b>(11 868 516)</b>
Transfers recognised - capital	15 610 000	(496 953)	15 610 000	-	15 610 000	14 265 680			91	91				25 313 395
Contributions recognised - capital & contributed assets														
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>6 518 486</b>	<b>( 496 953)</b>	<b>6 021 533</b>	-	<b>6 021 533</b>	<b>1 943 087</b>			<b>32</b>	<b>30</b>				<b>13 444 879</b>
Share of surplus/(deficit) of associate														
<b>Surplus/(Deficit) for the year</b>	<b>6 518 486</b>	<b>( 496 953)</b>	<b>6 021 533</b>	-	<b>6 021 533</b>	<b>1 943 087</b>			<b>32</b>	<b>30</b>				<b>13 444 879</b>
<b>Capital expenditure &amp; transfers sources</b>														
<b>Capital expenditure</b>	<b>23 555 635</b>	<b>( 496 949)</b>	<b>23 058 686</b>		<b>23 058 686</b>	<b>15 806 792</b>			<b>91</b>	<b>67</b>				<b>23 227 408</b>
Transfers recognised - capital	15 610 000	-	15 610 000		15 610 000	14 265 680		(1 344 320)	-	-				18 868 855
Public contributions & donations		-				15 806 792		15 806 792	-	-				3 704 338
Borrowing		-							-	-				
Internally generated funds	7 945 635	( 496 949)	7 448 686		7 448 686	-14 265 680		-21 714 366	-192	-180				654 215
<b>Total sources of capital funds</b>	<b>23 555 635</b>	<b>( 496 949)</b>	<b>23 058 686</b>		<b>23 058 686</b>	<b>23 058 686</b>			<b>100</b>	<b>98</b>				<b>23 227 408</b>
<b>Cash flows</b>														
Net cash from (used) operating	25 576 605	82 200	25 658 805		25 658 805	6 905 553		-18 753 252	27	27				21 651 510
Net cash from (used) investing	(23 555 635)	496 949	(23 058 686)		(23 058 686)	(15 859 137)		7 199 549	69	67				(18 582 515)
Net cash from (used) financing		-				105 473		105 473	#DIV/0!	#DIV/0!				301 585
<b>Cash/cash equivalents at the year end</b>	<b>63 989 164</b>	<b>579 149</b>	<b>64 568 314</b>		<b>64 568 314</b>	<b>34 333 310</b>		<b>-30 235 004</b>	<b>53</b>	<b>54</b>				<b>43 181 420</b>

**Endumeni Municipality**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
as at 30 June 2020

**1 ACCOUNTING POLICIES**

**1 BASIS OF ACCOUNTING**

**BASIS OF PRESENTATION**

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

**PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

**GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months. The municipality however faces challenges of debtor non-payment for municipal services and a high rate of electricity losses due to theft. This may have future implications on the operations of the municipality. The ratio analysis indicate a decline in the liquidity ratios. Current Ratio being 1.24 (1.31 - 2019) and Acid test ratio of 1.13 (1.19 - 2019). The total liabilities as at 30 June 2020 amounted to R123 168 331, whilst the estimated total cash and cash equivalents, equitable share and estimated receipts amounted to R337 778 365.

**COMPARATIVE INFORMATION**

Budget information in accordance with GRAP 1 and 24, has been provided to these financial statements and forms part of the annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

**1.1 SIGNIFICANT JUDGEMENT AND SOURCES OF ESTIMATION UNCERTAINTY**

In preparing the financial statements, management is required to make estimates and assumptions that affect the amount represented in the financial statements and related disclosures. Use of available information and application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

**1.1.1 PROVISIONS**

Management determined an estimate for provisions raised based on the information available. Additional disclosure of these estimates are included in Note 13 Current and Non- current provisions

**1.1.2 USEFUL LIVES OF PROPERTY PLANT EQUIPMENT AND INTANGIBLE ASSETS**

The municipality depreciates/amortises its property, plant and equipment and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the asset become available for use. The useful lives and residual values are based on industry knowledge and are reviewed annually.

**1.1.3 DEFINED BENEFIT PLAN LIABILITIES**

The municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are post retirement medical benefit obligations and long service awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 41 to the financial statements.

#### 1.1.4 REVENUE RECOGNITION

Management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 Revenue from Exchange Transactions and GRAP 23 Revenue from Non Exchange Transactions and in particular, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

#### 1.1.5 FINANCIAL ASSETS AND LIABILITIES

The classification of financial assets and liabilities into categories is based on relevant accounting standards as assessed by management.

#### 1.2 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following Standards of GRAP and interpretations of Standards of GRAP approved have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 34 - Separate Financial Statements  
GRAP 35 - Consolidated Financial Statements  
GRAP 36 - Investments in Associates and Joint Ventures  
GRAP 37 - Joint Arrangements  
GRAP 38 - Disclosure of Interests in Other Entities  
GRAP 110 - Living and Non-living Resources

Management have considered all of the above-mentioned GRAP standards approved or issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality. The municipality does not have entities within its control and does not anticipate to enter into Investment in associate, joint venture or arrangements for joint control. The municipality does not anticipate that the standard on living and non-living resources will become part of its mandate.

#### 1.3 PROPERTY, PLANT AND EQUIPMENT

##### INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

##### INITIAL MEASUREMENT

Items of property, plant and equipment are initially measured at cost at the acquisition date.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

##### SUBSEQUENT EXPENDITURE

Where the entity replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequent expenditure including major spare parts and servicing equipment qualify as property, plant and equipment if the recognition criteria are met.

## SUBSEQUENT MEASUREMENT

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

## DEPRECIATION

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciable amount is determined after taking into account an assets' residual value, where applicable. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

<b>Infrastructure</b>		<b>Other</b>	
Roads and Paving	3 - 100 years	Machinery and equipment	3 - 20 years
Electricity	3 - 80 years	Furniture and Equipment	3 - 50 years
Water	5 - 100 years	Motor Vehicles	4 - 20 years
Sewerage	10 - 60 years	Buildings	5 - 30 years
Other	10 - 30 years		

At each reporting date the municipality will assess whether there has been an indication that the expectation of the remaining useful lives of assets have changed. Such reviews are completed on Infrastructure, movable, intangible and leased assets. Any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

## DERECOGNITION

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## 1.4 HERITAGE ASSETS

### INITIAL RECOGNITION

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

A heritage asset shall be recognised as an asset if, and only if:

- (a) it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and
- (b) the cost or fair value of the asset can be measured reliably.

### INITIAL MEASUREMENT

An asset that has met the recognition requirement criteria for heritage assets shall be measured at its cost if such an asset has been acquired through an exchange transaction.

Where a heritage asset has been acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

## SUBSEQUENT MEASUREMENT

Heritage assets are not depreciated based on their nature however the municipality assesses at each reporting date whether there is a need for impairment.

The class of heritage assets are carried at its cost less any accumulated impairment losses.

## DERECOGNITION

The carrying amount of a heritage asset is derecognised:

- (a) on disposal, or
- (b) when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

## 1.5 INTANGIBLE ASSETS

An intangible asset is an identifiable non-monetary asset without physical substance. An asset is identifiable if it either:

- is separable, ie. capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

### INITIAL RECOGNITION

Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
  - it is technically feasible to complete the intangible asset;
  - the municipality has the resources to complete the project; and
  - it is probable that the municipality will receive future economic benefits or service potential;
- the municipality has the ability to measure reliably the expenditure during development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

### SUBSEQUENT MEASUREMENT

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

### AMORTISATION

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	2 - 5 years
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The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

### IMPAIRMENT

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

### DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## 1.6 INVESTMENT PROPERTY

### INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

Investment Property is initially recognised when future economic benefits or service potential are probable and the cost or fair value can be determined reliably.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

## **SUBSEQUENT MEASUREMENT**

Investment property is subsequently measured at fair value model. The fair value of investment property is based on the valuation roll values of the local municipality in whose jurisdiction the investment property is situated. Fair value is adjusted when a new valuation roll is implemented by the local municipality for property tax purposes. A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

## **DERECOGNITION**

Investment property is derecognised when there is a disposal or no future economic benefits or service potential are to be derived from the property.

All gains or losses, which result from the derecognition, are recognised in the Statement of Financial Performance.

# **1.7 INVENTORIES**

## **INITIAL RECOGNITION AND MEASUREMENT**

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

## **SUBSEQUENT MEASUREMENT**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The basis of determining cost is the weighted-average method.

## **DERECOGNITION**

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

# **1.8 FINANCIAL INSTRUMENTS**

## **INITIAL RECOGNITION**

The entity recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, the entity becomes a party to the contractual provisions of the instrument.

Upon initial recognition the entity classifies financial instruments or their component parts as a financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset or a residual interest.

## **INITIAL MEASUREMENT**

When a financial instrument is recognised, the entity measures it initially at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

## **SUBSEQUENT MEASUREMENT**

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost.

All financial assets and financial liabilities are measured after initial recognition using the following categories:

### **INVESTMENTS AT AMORTISED COSTS**

Investments, which include fixed deposits and short-term deposits invested in registered commercial banks are categorised as financial instruments at amortised cost and are subsequently measured at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

### **INVESTMENT AT FAIR VALUE**

Investments, which represent investments in residual interest for which fair value can be measured reliably, are subsequently measured at fair value.

Gains and losses in the fair value of such investments are recognised in the Statement of Financial Performance.

### **INVESTMENT AT COST**

Investments at cost, which represent investments in residual interest for which there is no quoted market price and for which fair value cannot be measured reliably, are subsequently measured at cost.

### **TRADE AND OTHER RECEIVABLES**

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost, less provision for impairment. All trade and other receivables are assessed at least annually for possible impairment. Impairments of trade and other receivables are determined in accordance with the accounting policy for impairments. Impairment adjustments are made through the use of an allowance account.

Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

### **TRADE PAYABLES AND BORROWINGS**

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost using the effective interest rate method.

### **CASH AND CASH EQUIVALENTS**

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

### **IMPAIRMENT OF FINANCIAL ASSETS**

All financial assets measured at amortised cost, or cost, are subject to an impairment review. The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

### **IMPAIRMENT FOR FINANCIAL ASSETS HELD AT AMORTISED COST**

The entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

## **IMPAIRMENT OF FINANCIAL ASSETS HELD AT COST**

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

## **DERECOGNITION**

A financial asset is derecognised only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset;
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

A financial liability is derecognised when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where the terms of an existing financial liability are modified, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

### **1.9 UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.10 IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.11 FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.12 PROVISIONS**

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made.

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

### **1.13 BUDGET INFORMATION**

The annual budget figures have been presented in accordance with the GRAP reporting framework. A separate statement of comparison of budget and actual amounts, which forms part of the annual financial statements has been prepared. The comparison of budget and actual amount will be presented on the same accounting basis, same classification basis and for the same entity and period as for the approved budget. The budget of the municipality is taken for a stakeholder consultative process and upon approval the approved budget is made publicly available

Material differences in terms of the basis, timing or entity have been disclosed in the notes to the annual financial statements.

The most recent approved budget by Council is the final budget for the purpose of comparison with the actual amounts.

### **1.14 LEASES**

#### **MUNICIPALITY AS LESSEE**

##### **RECOGNITION**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the entity through the lease agreement. Assets subject to finance leases are recognised in the Statement of Financial Position at the inception of the lease, as is the corresponding finance lease liability.

Assets subject to operating leases, i.e. those leases where substantially all of the risks and rewards of ownership are not transferred to the lessee through the lease, are not recognised in the Statement of Financial Position. The operating lease expense is recognised over the course of the lease arrangement.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

##### **MEASUREMENT**

Assets subject to a finance lease, as recognised in the Statement of Financial Position, are measured (at initial recognition) at the lower of the fair value of the assets and the present value of the future minimum lease payments. Subsequent to initial recognition these capitalised assets are depreciated over the contract term.

The finance lease liability recognised at initial recognition is measured at the present value of the future minimum lease payments. Subsequent to initial recognition this liability is carried at amortised cost, with the lease payments being set off against the capital and accrued interest. The allocation of the lease payments between the capital and interest portion of the liability is effected through the application of the effective interest method.

The finance charges resulting from the finance lease are expensed, through the Statement of Financial Performance, as they accrue. The finance cost accrual is determined using the effective interest method.

The lease expense recognised for operating leases is charged to the Statement of Financial Performance on a straight-line basis over the term of the relevant lease. To the extent that the straight-lined lease payments differ from the actual lease payments the difference is recognised in the Statement of Financial Position as either lease payments in advance (operating lease asset) or lease payments payable (operating lease liability) as the case may be. This resulting asset and / or liability is measured as the undiscounted difference between the straight-line lease payments and the contractual lease payments.

##### **DERECOGNITION**

The finance lease liabilities are derecognised when the entity's obligation to settle the liability is extinguished. The assets capitalised under the finance lease are derecognised when the entity no longer expects any economic benefits or service potential to flow from the asset.

The operating lease liability is derecognised when the entity's obligation to settle the liability is extinguished. The operating lease asset is derecognised when the entity no longer anticipates economic benefits to flow from the asset.

## **MUNICIPALITY AS LESSOR**

### **RECOGNITION**

For those leases that meet the definition of a finance lease, where the entity is the lessor, the entity derecognises the asset subject to the lease at the inception of the lease. Along with the derecognition of the asset the entity recognises a finance lease receivable. Finance lease income is allocated to between the finance lease receivable and finance income using the effective interest rate method and the resulting finance income is recognised in the Statement of Financial Performance as it accrues.

For those leases classified as operating leases the asset subject to the lease is not derecognised and no lease receivable is recognised at the inception of the lease. Lease payments received under an operating lease are recognised as income, in the Statement of Financial Performance, in the period that the income accrues.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

### **MEASUREMENT**

Finance lease receivables are recognised at an amount equal to the entity's net investment in the lease. This net investment in the lease is calculated as the sum of the minimum future lease payments and unguaranteed residual value discounted over the lease term at the rate implicit in the lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined lease payments and the contractual lease payments are recognised as either an operating lease asset or operating lease liability. An operating lease liability is raised to the extent that lease payments are received in advance (i.e. the straight-line lease payments are more than the contractual lease payments). The operating lease asset and / or operating lease liability are measured as the undiscounted difference between the straight-line lease receipts and the contractual lease receipts.

### **DERECOGNITION**

Finance lease receivables are derecognised when the entity's right to the underlying cash flows expire or when the entity no longer expects economic benefits to flow from the finance lease receivable.

Operating lease liabilities are derecognised when the entity's obligation to provide economic benefits or service potential under the lease agreement expires. Operating lease assets are derecognised when the entity's right to the underlying cash flows expire or the entity no longer expects economic benefits to flow from the operating lease asset.

## **1.15 REVENUE**

### **REVENUE FROM EXCHANGE TRANSACTIONS**

Revenue from exchange transactions refers to revenue that accrues to the entity directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable, excluding indirect taxes, rebates and discounts.

### **RECOGNITION**

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

- a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- b) The amount of revenue can be measured reliably; and
- c) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue arising out of situations where the entity acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the entity as compensation for executing the agreed services.

### **MEASUREMENT**

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

Service charges relating to electricity are based on consumption by consumers as is recorded on each consumer's meter. Meters are read each month and revenue is recognised in the period that invoices are raised. Provisional estimates of consumption are made in periods when meter readings have not been able to be made. The revenue from provisional estimates of consumption is recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised in the period in which cash is received.

Service charges relating to refuse removal are raised and recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements, the category of property usage and the number of refuse containers on each property regardless of whether or not containers are emptied during the month.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified and once the terms of the agency agreement have been complied with.

Revenue from the sale of consumables and sundry items is recognised when the risk is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

## **EXPENDITURE FROM EXCHANGE**

Expenditure arising from exchange-transactions is similar to the policy for exchange revenue.

## **REVENUE FROM NON-EXCHANGE TRANSACTIONS**

### **RECOGNITION**

Revenue from non-exchange transaction arises when the entity either receives value from another entity without directly giving approximately equal value in exchange or gives value to another entity without directly receiving approximately equal value in exchange.

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset and there is not a corresponding liability in respect of related conditions.

### **MEASUREMENT**

An asset that is recognised as a result of a non-exchange transaction is recognised at its fair value at the date of the transfer. Consequently, revenue arising from a non-exchange transaction is measured at the fair value of the asset received, less the amount of any liabilities that are also recognised due to conditions that must still be satisfied.

Where there are conditions attached to a grant, transfer or donation that gave rise to a liability at initial recognition, that liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants without any conditions attached are recognised as revenue in full when the asset is recognised, at an amount equalling the fair value of the asset received.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor.

Revenue from assessment rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts have been raised and are legally enforceable. Penalty interest is raised on unpaid rates after the due date for payment and is recognised on a time proportion basis.

Revenue from spot fines and summons are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Donations are recognised when cash is received or when property, plant and equipment are brought into use.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

## **EXPENDITURE RELATING TO NON-EXCHANGE TRANSACTIONS**

Expenditure arising from non-exchange transactions is similar to policy for non-exchange revenue.

### **1.16 HOUSING DEVELOPMENT FUND**

The Housing Development Fund was established in terms on the Housing Act (Act 107 of 1997)

Sections 15 (5) and 16 of the Housing Act, which came into effect on 1 April 1998, required the Entity to maintain a separate housing operating account. This legislated separate operating account is known as the Housing Development Fund and is fully cash-backed.

In terms of section 14(4)(d)(ii)(aa), read with inter alia section 16(2), the Housing Act required that the net proceeds of any letting, sale or alienation of property, previously financed from government housing funds, to be paid into a separate operating account, and be utilised by the Entity for housing development in accordance with the National Housing Policy.

#### **1.17 BORROWING COSTS**

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

#### **1.18 RETIREMENT BENEFITS**

##### **SHORT TERM EMPLOYEE BENEFITS**

Short term employee benefits encompasses all those benefits that become payable in the short term, i.e. within a financial year or within 12 months after the financial year. Therefore, short term employee benefits include remuneration, compensated absences and bonuses.

Short term employee benefits are recognised in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs. These short term employee benefits are measured at their undiscounted costs in the period the employee renders the related service or the specific event occurs.

#### **1.19 POST-EMPLOYMENT BENEFITS**

The Municipality operates various pension schemes. These schemes are funded through trustee administered funds. The Municipality has both defined benefit and defined contribution plans.

##### **DEFINED CONTRIBUTION PLANS**

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

For defined contribution plans, the Municipality pays contributions to fund administrators. The Municipality has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

##### **DEFINED BENEFIT PLANS**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Natal Joint Superannuation & Retirement Funds are defined benefit funds. The Natal Joint Provident Fund is a defined contribution funds

The schemes are funded through payments to fund administrator or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans.

Defined benefit plans have been accounted for as defined contribution plans in accordance with the requirements on multi-employer plans where sufficient information is not available to account for such plans as defined benefit plans. As the fund administrators do not have sufficient information available to allocate the shortfall on liabilities to individual employers, no liability is recognised for any shortfall of fund asset as compared to fund liabilities. Any surcharges that may be levied by the fund from time to time in order to compensate for shortfalls, are recognised as expenses in the period in which they become payable to the fund. As surcharges are advised long in advance, based on actuarial valuations of the fund as a whole, the necessary provision for the payment thereof is made in the course of the municipality's normal budgeting processes.

## **POST RE-TIREMENT HEALTH CARE BENEFITS**

The liability recognised in the Statement of Financial Position is in respect of defined benefit plan for post employment health care benefits. The fund is actuarially valued each year using the discounted cash flow method. Any deficits identified by the actuary are recovered from the municipality in the form of surcharges added to the contributions which are recognised as an expense in the Statement of Financial Performance in the year that they become payable. Valuations of these obligations are carried out every year by independent qualified actuaries.

### **1.20 IMPAIRMENT OF NON-FINANCIAL ASSETS**

#### **RECOGNITION**

The entity assesses at each reporting date whether there is an indication that an asset may be impaired. Where the carrying amount of an asset exceeds its recoverable amount (or recoverable service amount in the case of non-cash-generating assets), the asset is considered impaired and is written down to its recoverable amount (or recoverable service amount).

#### **MEASUREMENT**

An asset's recoverable amount (or recoverable service amount) is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use. This recoverable amount (or recoverable service amount) is determined for individual assets, unless those individual assets are part of a larger cash generating unit, in which case the recoverable amount (or recoverable service amount) is determined for the whole cash generating unit.

An asset is part of a cash generating unit where that asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

In determining the recoverable amount (or recoverable service amount) of an asset the entity evaluates the assets to determine whether the assets are cash generating assets or non-cash generating assets.

For cash generating assets the value in use is determined as a function of the discounted future cash flows from the asset. In assessing value-in-use for cash-generating assets, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, other fair value indicators are used.

Where the asset is a non-cash generating asset the value in use is determined through depreciated replacement cost, restoration cost approach or service units approach. The decision to the approach to use is dependent on the nature of the identified impairment.

Impairment losses of continuing operations are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

#### **REVERSAL OF IMPAIRMENT**

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

### **IMPAIRMENT OF SPECIFIC NON-FINANCIAL ASSETS**

#### **PROPERTY, PLANT AND EQUIPMENT**

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

#### **INTANGIBLE ASSETS**

The entity tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is performed at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Irrespective of whether there is any indication of impairment, the municipality also tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

## **INVESTMENT PROPERTY HELD AT COST**

The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an Investment Property is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

### **1.21 RELATED PARTIES**

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality. Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed. The municipality applies GRAP 20 for related parties.

### **1.22 VALUE ADDED TAX (VAT)**

The municipality accounts for VAT on the accrual basis.

Based on approval received from the Commissioner for South African Revenue Services, the municipality has been given permission to remit or claim for VAT on the payments basis for debtors and creditors.

### **1.23 SERVICE CONCESSION ARRANGEMENT**

Service concession arrangement is a contractual arrangement between a grantor and the operator in which an operator uses the service concession asset to provide a mandated function on behalf of a grantor for a specified period. Where the operator is compensated for its services over the period of service concession arrangement. A grantor is the entity that grants the right to use the service concession asset to the operator.

A mandated function involves the delivery of a public service by an operator on behalf of a grantor that falls within the grantor's mandate. An operator is the entity that uses the service concession asset to provide a mandated function subject to the grantor's control of the asset.

#### **RECOGNITION**

The entity recognises an asset provided by the operator and an upgrade to an existing asset of the entity, as a service concession asset if the entity controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price, and if the entity controls (through ownership, beneficial entitlement or otherwise) any significant residual interest in the asset at the end of the term of the arrangement. This applies to an asset used in a service concession arrangement for its entire economic life.

After initial recognition or reclassification, service concession assets are clearly identified from other assets within the same asset category, and are clearly identified from owned and/or leased assets.

Where the entity recognises a service concession asset, and the asset is not an existing asset of the entity (grantor), the entity (grantor) also recognises a liability. The entity does not recognise a liability where an existing asset of the entity is reclassified as a service concession asset, except in circumstances where additional consideration is provided by the operator.

#### **MEASUREMENT**

The entity initially measures the service concession asset at its fair value where the asset is not an existing asset of the entity. Where the asset is an existing asset of the entity and it meets the recognition criteria of a service concession asset, the asset is reclassified as a service concession asset, and the asset is accounted for in accordance with the policy on Investment Property, Property plant and equipment, Intangible assets, or Heritage assets as appropriate.

The entity initially measures the liability at the same amount as the service concession asset, adjusted by the amount of any other consideration from the entity to the operator, or from the operator to the entity.

#### **Financial liability model**

Where the entity has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset, the entity accounts for the liability as a financial liability. The entity allocates the payments to the operator and accounts for them according to their substance as a reduction in the liability recognised, a finance charge, and charges for services provided by the operator.

The finance charge and charges for services provided by the operator in a service concession arrangement are accounted for as expenses.

Where the asset and service components of a service concession arrangement are separately identifiable, the service components of payments from the entity to the operator are allocated by reference to the relative fair values of the service concession asset and the services.

Where the asset and service components are not separately identifiable, the service component of payments from the entity to the operator is determined using estimation techniques.

#### **Grant of a right to the operator model**

Where the entity does not have an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset, and grants the operator the right to earn revenue from third-party users or another revenue-generating asset, the entity accounts for the liability as the unearned portion of the revenue arising from the exchange of assets between the entity and the operator.

The entity recognises revenue and reduces the liability according to the substance of the service concession arrangement.

#### **Dividing the arrangement**

If the entity pays for the construction, development, acquisition, or upgrade of a service concession asset partly by incurring a financial liability and partly by the grant of a right to the operator, it accounts separately for each part of the total liability.

#### **Other liabilities, contingent liabilities and contingent assets**

The entity accounts for other liabilities, contingent liabilities, and contingent assets arising from a service concession arrangement in accordance with the policy on Provisions, Contingent liabilities and contingent assets and Financial instruments.

#### **Other revenues**

The entity accounts for revenues from a service concession arrangement, other than those relating to the grant of a right to the operator model, in accordance with the Standard of GRAP on Revenue from exchange transactions.

#### **Recognition of the performance obligation and the right to receive a significant interest in a service concession asset**

If the entity controls a significant residual interest in a service concession asset at the end of the service concession arrangement through ownership, beneficial entitlement or otherwise, and the arrangement does not constitute a finance or an operating lease, the entity recognises its right to receive the residual interest (i.e. a receivable) in the service concession asset at the commencement of the arrangement.

The right to receive a residual interest in the service concession asset to be received at the end of the arrangement, is an exchange consideration. This is because the entity will receive an asset in exchange for granting the operator access to the asset while providing a mandated function on its behalf in accordance with the substance of the arrangement.

In terms of the policy on Revenue from exchange transactions, the exchange consideration are recognised and measured at fair value. The value of the receivable (the right to the residual interest in the asset), receivable at the end of the service concession arrangement, reflects the value of the service concession asset as if it were already in the age and in the condition expected at the end of the service concession arrangement.

When the entity recognises the right to receive a residual interest in the service concession asset, it also recognises its performance obligation for granting the operator access to the service concession asset in accordance with the substance of the arrangement. The value of the performance obligation is the same as the receivable interest recognised at the commencement of the service concession arrangement.

The performance obligation is reduced and revenue is recognised based on the substance of the arrangement.

Where service concession arrangements include provisions to adjust the arrangement for changes, the effect of such changes is deemed to have taken place at the inception of the service concession arrangements.

The municipality has assessed the transactions and for the period under assessment does not have any such arrangements.

### **1.24 ACCOUNTING BY PRINCIPALS AND AGENTS**

#### **IDENTIFICATION**

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

**Identifying whether an entity is a principal or an agent**

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether an municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

**Binding arrangement**

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent

**Assessing which entity benefits from the transactions with third parties**

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.

It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

**RECOGNITION**

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

**1.25 CAPITAL COMMITMENTS**

A capital commitment is a binding agreement to undertake capital expenditure at some time in the future which has not yet become an actual liability

**Endumeni Local Municipality**  
**Notes to The Annual Financial Statements**  
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Note	2020	2019
	R	R
<b>2 INVENTORIES</b>		
Material and supplies - electricity	4 643 283	4 333 122
Consumable - general	1 749 131	1 952 679
Consumable - fuel and oils	191 955	147 774
Mechanical spares	22 968	13 348
<b>Closing balance of Inventories</b>	<b>6 607 337</b>	<b>6 446 923</b>
Inventories recognised as an expense during the year	5 234 995	7 259 538
Write down of inventory	-	118 440
Inventory has been impaired for redundant and obsolete items Periodically, physical stock counts are carried out and any obsolete and redundant items are identified and written off under Council authority. The stock write down for the current year is still subject to council approval		
<b>3 CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents consist of the following:		
Cash on hand	15 300	15 300
Bank Balances	3 324 478	5 265 898
Short-term deposits		
Deposits - General Account	19 202 950	24 508 802
Deposits - Museum Trust Fund	92 953	56 876
Deposits - Government Grants and Subsidies	11 697 629	13 334 544
	<b>34 333 310</b>	<b>43 181 420</b>
The Municipality has the following bank accounts: -		
<b><u>Current Account (Primary Bank Account)</u></b>		
First National Bank Account - Dundee Branch Account Number 62025460651: Cheque Account		
Cash book balance at beginning of year	5 265 898	10 111 707
Cash book balance at end of year	3 324 478	5 265 898
Bank statement balance at beginning of year	5 265 898	10 111 707
Bank statement balance at end of year	3 324 478	5 265 898
The municipality has the following Short-term deposit accounts		
<b><u>ACCOUNT DESCRIPTION - Short-term deposits (MFMA requirement)</u></b>		
<b>Investment General Account</b> <i>Absa Bank Account - Dundee Branch</i> <i>Account Number 9072089566 : Call Account</i>		
Bank statement balance at the beginning of the year	6 006 332	5 999 360
Bank statement balance at the end of the year	<b>6 006 237</b>	<b>6 006 332</b>
<b>Investment General Account</b> <i>First National Bank Account - Dundee Branch</i> <i>Account Number 62113431390 : Money Market Account</i>		
Bank statement balance at the beginning of the year	6 532 973	317 000
Bank statement balance at the end of the year	<b>530 910</b>	<b>6 532 973</b>
<b>Investment General Account</b> <i>Grindrod Bank - Durban Branch</i> <i>Account Number 11000207002 Call Account</i>		
Bank statement balance at the beginning of the year	5 955 670	5 587 361
Bank statement balance at the end of the year	<b>6 298 971</b>	<b>5 955 670</b>
<b>Investment General Account</b> <i>Ithala Bank - Nguthu Branch</i> <i>Account Number 36744276</i>		
Bank statement balance at the beginning of the year	-	5 361 637
Bank statement balance at the end of the year	-	-

**Endumeni Local Municipality**  
**Notes to The Annual Financial Statements**  
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	Note	2020	2019
		R	R
<b>Investment General Account</b>			
<i>Investec Branch - Sandton Branch</i>			
<i>Account Number 540709 fixed deposit</i>			
Bank statement balance at the beginning of the year		6 013 827	5 636 313
Bank statement balance at the end of the year		6 366 832	6 013 827
<b>TOTAL INVESTMENTS (CURRENT ACCOUNT) :</b>		<b>19 202 950</b>	<b>24 508 802</b>
<b>Investment Museum Trust Fund</b>			
<i>First National Bank Account - Dundee Branch</i>			
<i>Account Number 62127781236 : Money Market Account</i>			
Bank statement balance at the beginning of the year		56 876	13 465
Bank statement balance at the end of the year		92 953	56 876
<b>TOTAL INVESTMENT (MUSEUM TRUST FUND) :</b>		<b>92 953</b>	<b>56 876</b>
<b>Investment Projects</b>			
<i>First National Bank Account - Dundee Branch</i>			
<i>Account Number 62047254941 : Call Account</i>			
Bank statement balance at the beginning of the year		1 267 898	3 160 626
Bank statement balance at the end of the year		2 021 088	1 267 898
<b>Investment Interest Earned</b>			
<i>First National Bank Account - Dundee Branch</i>			
<i>Account Number 62509652419 : Call Account</i>			
Bank statement balance at the beginning of the year		29 370	29 370
Bank statement balance at the end of the year		3 236 602	1 074 198
<b>Investment VAT</b>			
<i>First National Bank Account - Dundee Branch</i>			
<i>Account Number 62509650851 : Call Account</i>			
Bank statement balance at the beginning of the year		8 347 795	64 400
Bank statement balance at the end of the year		4 076 056	8 347 795
<b>Investment Sibongile Hostel</b>			
<i>First National Bank Account - Dundee Branch</i>			
<i>Account Number 62045928069 : Call Account</i>			
Bank statement balance at the beginning of the year		508 172	480 713
Bank statement balance at the end of the year		534 059	508 172
<b>Investment Sithembile Hostel</b>			
<i>First National Bank Account - Dundee Branch</i>			
<i>Account Number 62063967718 : Call Account</i>			
Bank statement balance at the beginning of the year		413 855	391 610
Bank statement balance at the end of the year		434 688	413 855
<b>Investment Training of Councillors</b>			
<i>First National Bank Account - Dundee Branch</i>			
<i>Account Number 62310958098 : Call Account</i>			
Bank statement balance at the beginning of the year		11 102	23 102
Bank statement balance at the end of the year		11 102	11 102
<b>Investment Transfer / Buyback Centre</b>			
<i>First National Bank Account - Dundee Branch</i>			
<i>Account Number 62130398903 : Call Account</i>			
Bank statement balance at the beginning of the year		8 598	8 176
Bank statement balance at the end of the year		9 063	8 598
<b>Investment Sibongile Library Internet</b>			
<i>First National Bank Account - Dundee Branch</i>			
<i>Account Number 62173631948 : Call Account</i>			
Bank statement balance at the beginning of the year		396 274	843 869
Bank statement balance at the end of the year		262 322	396 274

**Endumeni Local Municipality**  
**Notes to The Annual Financial Statements**  
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Note	2020	2019
	R	R
<b>Investment Housing Operating Account</b> <i>First National Bank Account - Dundee Branch</i> <i>Account Number 62412969084 : Call Account</i>		
Bank statement balance at the beginning of the year	506 450	479 262
Bank statement balance at the end of the year	<u>531 503</u>	<u>506 450</u>
<b>Investment Rural Horse Riding</b> <i>First National Bank Account - Dundee Branch</i> <i>Account Number 62599265876 : Money Market Account</i>		
Bank statement balance at the beginning of the year	19 076	18 048
Bank statement balance at the end of the year	<u>20 005</u>	<u>19 076</u>
<b>Investment Small Town Rehabilitation</b> <i>First National Bank Account - Dundee Branch</i> <i>Account Number 62521487894 : Money Market Account</i>		
Bank statement balance at the beginning of the year	781 125	1 270 042
Bank statement balance at the end of the year	<u>561 140</u>	<u>781 125</u>
<b>TOTAL INVESTMENTS (GOVERNMENT GRANTS AND SUBSIDIES) :</b>	<u>11 697 629</u>	<u>13 334 544</u>
<b>TOTAL CURRENT INVESTMENTS</b>	<u>30 993 532</u>	<u>37 900 222</u>
<b>4 NON-CURRENT RECEIVABLES</b>		
Housing - Selling scheme loans	536 868	547 106
Housing - Sibongile	1 428 818	1 366 238
Housing - Individual selling scheme loans	140 507	140 507
	<u>2 106 193</u>	<u>2 053 851</u>
Less : Provision for housing receivables	<u>( 2 106 193)</u>	<u>( 2 053 851)</u>
	-	-
Less : Current portion transferred to current receivables	-	-
	-	-
Total Non Current Receivables	<u>-</u>	<u>-</u>
<b>HOUSING SELLING SCHEME LOANS</b>		
Loans have been granted to individuals who qualified in terms of the KwaZulu-Natal Department of Human Settlements programme. The loans are repayable over terms ranging from 5 to 30 years at interest rates varying between 11.25% and 13.5%. Title deeds for many of these properties have been handed over to the beneficiaries in the 2015/16 financial year.		
<b>5 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>		
<b><u>Trade and Other Receivables from Exchange</u></b>	<b>R</b>	<b>R</b>
Electricity	8 480 237	6 644 636
Refuse	23 564 728	19 223 261
Debtors for Value Added Taxation	4 735 126	3 802 289
Estate	63 838	56 987
Interest	12 263 260	10 370 074
Refund	362 158	279 126
Deposit Housing	10 200	8 050
Deposit Electricity	23 749	24 187
Receipt	-	22 582
Housing Levy	740 324	628 617
Legal Fees	66 111	73 455
Sundry Adjustments	283 590	270 227
Total Service Debtors	<u>50 593 321</u>	<u>41 403 491</u>
Provision for Doubtful Debts	<u>( 37 926 313)</u>	<u>( 32 280 296)</u>
<b>Total</b>	<u>12 667 008</u>	<u>9 123 195</u>
<b><u>Electricity: Ageing</u></b>		
Current (0 - 30 days)	4 678 264	4 623 363
31 - 60 Days	1 002 652	836 239
61 - 90 Days	827 135	218 120
91 - 120 Days	464 868	113 560
Greater than 120 days	1 507 318	853 354
<b>Total</b>	<u>8 480 237</u>	<u>6 644 636</u>

**Endumeni Local Municipality**  
**Notes to The Annual Financial Statements**  
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	Note	2020	2019
		R	R
<b><u>Refuse: Ageing</u></b>			
Current (0 – 30 days)		1 316 382	1 253 636
31 - 60 Days		824 567	602 846
61 - 90 Days		720 035	491 300
91 - 120 Days		645 079	436 327
Greater than 120 days		20 058 664	16 439 153
<b>Total</b>		<b>23 564 728</b>	<b>19 223 261</b>
<b><u>Debtors for Value Added Taxation: Ageing</u></b>			
Current (0 – 30 days)		901 136	885 202
31 - 60 Days		271 863	214 921
61 - 90 Days		232 100	107 162
91 - 120 Days		168 352	82 896
Greater than 120 days		3 161 676	2 512 108
<b>Total</b>		<b>4 735 126</b>	<b>3 802 289</b>
<b><u>Estate: Ageing</u></b>			
Current (0 – 30 days)		2 301	2 259
31 - 60 Days		814	737
61 - 90 Days		863	696
91 - 120 Days		708	627
Greater than 120 days		59 153	52 667
<b>Total</b>		<b>63 838</b>	<b>56 987</b>
<b><u>Interest: Ageing</u></b>			
Current (0 – 30 days)		235 010	188 538
31 - 60 Days		213 863	182 055
61 - 90 Days		199 924	172 334
91 - 120 Days		193 507	165 565
Greater than 120 days		11 420 957	9 661 581
<b>Total</b>		<b>12 263 260</b>	<b>10 370 074</b>
<b><u>Refund: Ageing</u></b>			
Current (0 – 30 days)		26 474	14 434
31 - 60 Days		4 283	7 192
61 - 90 Days		-	1 078
91 - 120 Days		8 723	867
Greater than 120 days		322 678	255 554
<b>Total</b>		<b>362 158</b>	<b>279 126</b>
<b><u>Deposit Housing: Ageing</u></b>			
Current (0 – 30 days)		500	450
31 - 60 Days		700	300
61 - 90 Days		-	250
91 - 120 Days		350	250
Greater than 120 days		8 650	6 800
<b>Total</b>		<b>10 200</b>	<b>8 050</b>
<b><u>Deposit Electricity: Ageing</u></b>			
Current (0 – 30 days)		2 012	750
31 - 60 Days		2 000	1 098
61 - 90 Days		-	14
91 - 120 Days		-	2 059
Greater than 120 days		19 737	20 266
<b>Total</b>		<b>23 749</b>	<b>24 187</b>

**Endumeni Local Municipality**  
**Notes to The Annual Financial Statements**  
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Note	2020	2019
	R	R
<b><u>Add back credits included above: Ageing</u></b>		
Current (0 – 30 days)	-	-
31 - 60 Days	-	-
61 - 90 Days	-	-
91 - 120 Days	-	-
Greater than 120 days	-	22 582
<b>Total</b>	<b>-</b>	<b>22 582</b>

**Housing Levy: Ageing**

Current (0 – 30 days)	30 058	32 540
31 - 60 Days	22 518	19 830
61 - 90 Days	22 264	17 301
91 - 120 Days	22 027	20 486
Greater than 120 days	643 457	538 460
<b>Total</b>	<b>740 324</b>	<b>628 617</b>

**Legal Fees: Ageing**

Current (0 – 30 days)	-	-
31 - 60 Days	-	-
61 - 90 Days	-	-
91 - 120 Days	-	-
Greater than 120 days	66 111	73 455
<b>Total</b>	<b>66 111</b>	<b>73 455</b>

**Sundry Adjustments: Ageing**

Current (0 – 30 days)	1 281	20 511
31 - 60 Days	1 220	1 126
61 - 90 Days	4 903	4 731
91 - 120 Days	12 043	3 948
Greater than 120 days	264 143	239 910
<b>Total</b>	<b>283 590</b>	<b>270 227</b>

Included in the trade and Other Receivables from exchange balances are the amounts owed by other spheres of Government:

**Summary of Debtors by Customer Classification**

	Consumers	Industrial / Commercial	National and Provincial Government
	R	R	R
<b>as at 30 June 2020</b>			
Current (0 – 30 days)	5 703 133	5 305 500	110 017
31 - 60 Days	2 916 443	1 629 235	559 138
61 - 90 Days	2 462 580	1 461 154	204 711
91 - 120 Days	2 241 925	942 642	99 671
121+ Days	86 970 867	11 195 014	4 198 757
Sub-total	<b>100 294 948</b>	<b>20 533 544</b>	<b>5 172 294</b>
<b>Total debtors</b>			<b>126 000 786</b>
Add back consumers with credit balances			<b>3 415 519</b>
<b>Total debtors by customer classification</b>			<b>129 416 305</b>
 <b>as at 30 June 2019</b>			
Current (0 – 30 days)	4 815 622	5 144 080	841 056
31 - 60 Days	2 258 532	1 149 541	193 053
61 - 90 Days	1 963 149	453 190	142 005
91 - 120 Days	2 823 450	446 413	93 062
121 + Days	73 885 366	5 264 529	3 783 140
Sub-total	<b>85 746 119</b>	<b>12 457 753</b>	<b>5 052 316</b>
<b>Total debtors</b>			<b>103 256 188</b>
Add back consumers with credit balances			<b>1 630 287</b>
<b>Total debtors by customer classification</b>			<b>104 886 475</b>

**Endumeni Local Municipality**  
**Notes to The Annual Financial Statements**  
for the year ended 30 June 2020

Note	2020	2019
	R	R
<b>5 Reconciliation of the doubtful debt provision</b>		
<u>Reconciliation of the Bad Debt Provision</u>		
Balance at beginning of the year	101 430 197	91 879 995
Revenue from exchange	32 280 296	30 476 790
Non-current receivables	2 053 851	1 994 124
Revenue from non-exchange	67 096 049	59 409 081
Contribution to provision	10 700 902	9 550 202
Revenue from exchange	5 646 017	1 803 506
Non-current receivables	52 342	59 728
Revenue from non-exchange	5 002 543	7 686 968
Revenue from exchange	37 926 313	32 280 296
Non-current receivables	2 106 193	2 053 851
Revenue from non-exchange	72 098 592	67 096 049
Balance at end of year	<b>112 131 099</b>	<b>101 430 197</b>
Bad debts written off against the provision	<b>( 29 593)</b>	<b>4 378 255</b>

**TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE  
6 TRANSACTIONS**

Property Rates	52 713 559	41 396 992
Penalties	22 731 012	19 397 826
Collection Fees	3 378 413	2 688 166
Traffic Fines	11 477 006	9 562 186
Other Sundry Debtors	5 404 131	9 212 464
	95 704 120	82 257 635
Less provision for bad debts	( 72 098 592)	( 67 096 049)
<b>Total</b>	<b>23 605 528</b>	<b>15 161 586</b>

**Rates: Ageing**

Current (0 – 30 days)	5 010 051	4 111 750
31 - 60 Days	2 355 889	1 512 981
61 - 90 Days	1 833 072	1 257 573
91 - 120 Days	1 594 157	1 102 106
Greater than 120 days	41 920 390	33 412 581
<b>Total</b>	<b>52 713 559</b>	<b>41 396 992</b>

**Penalties: Ageing**

Current (0 – 30 days)	384 189	305 748
31 - 60 Days	366 632	298 463
61 - 90 Days	350 858	294 931
91 - 120 Days	343 351	1 314 104
Greater than 120 days	21 285 982	17 184 580
<b>Total</b>	<b>22 731 012</b>	<b>19 397 826</b>

**Collection Fees: Ageing**

Current (0 – 30 days)	117 796	86 424
31 - 60 Days	97 732	79 809
61 - 90 Days	83 200	74 794
91 - 120 Days	82 506	304 474
Greater than 120 days	2 997 179	2 142 665
<b>Total</b>	<b>3 378 413</b>	<b>2 688 166</b>

**Property rates past due but not impaired**

Property rates which are less than 3 months past due are not considered to be impaired. At 30 June 2020 R19 737 253 (2019 R7 397 259) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	5 010 021	744 485
2 months past due	2 343 583	503 855
3 months past due	1 833 072	555 129

**Endumeni Local Municipality**  
**Notes to The Annual Financial Statements**  
for the year ended 30 June 2020

Note	2020	2019
	R	R
<b><u>Property rates impaired</u></b>		
As of 30 June 2020, property rates of R 59 085 731 (2019 R 56 008 112) were impaired and provided for.		
The ageing of these receivables is as follows:		
3 to 4 months	2 855 924	3 183 857
Over 4 months	41 920 390	49 319 246
The fair value of property rates approximates their carrying amounts.		

**Statutory receivables general information**

**Transaction(s) arising from statute**

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means and are settled in cash or another financial asset. The municipality accounts for statutory receivables which arise from the implementation of:

The Municipal Property Rates Act 6 of 2004 (MPRA) whose purpose is to regulate the power of a municipality to impose rates on property, to exclude certain properties from rating in the national interest and to make provision for municipalities to implement a transparent and fair system of exemptions, reductions and rebates through their rating policies.

The National Road Traffic Act 93 of 1996 (NRTA) whose purpose is to provide for road traffic matters which shall apply uniformly throughout the republic and for matters connected therewith.

**Determination of transaction amount**

Transaction amounts for these statutory are determined as follows:

Property rates - billed amount with reference to property values taking into consideration any exemptions, rebates and reductions as per policy, excluding any receipts

Traffic fines - with reference to the schedules as per the act and offence.

**Penalties and other charges levied/charged**

Penalties on outstanding balances is charged on overdue property rates balances and form part of statutory receivables at 1% per month on the outstanding balance excluding penalties.

**Basis used to assess the test whether a statutory receivables is impaired**

All balances outstanding is assessed at reporting date whether there is an indication that a statutory receivable or a group of statutory receivables may be impaired.

ENDUMENI LOCAL MUNICIPALITY  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020

Figures in rands

7 Property, plant and equipment	2020			2019		
	Cost	Accumulated depreciation and impairment	Carrying value	Cost	Accumulated depreciation and impairment	Carrying value
Land	60 969 536.72	-	60 969 536.72	60 969 536.72	-	60 969 536.72
Community Asset (Buildings)	89 919 700.32	-25 767 315.42	64 152 384.90	80 422 379.29	-23 043 401.82	57 378 977.47
Electricity	48 140 108.51	-21 055 758.88	27 084 349.63	47 981 468.51	-19 732 899.44	28 248 569.07
Road	183 435 690.14	-66 552 005.70	116 883 684.44	183 407 790.14	-60 844 440.84	122 563 349.30
Solid waste	6 553 935.70	-4 735 084.63	1 818 851.07	6 553 935.70	-4 289 631.50	2 254 304.20
Cemeteries	3 972 078.28	-1 288 966.90	2 683 091.38	3 972 078.28	-1 034 115.85	2 937 962.43
WIP Buildings	7 638 619.80	-	7 638 619.80	8 114 242.90	-	8 114 242.90
WIP Electricity	961 023.43	-	961 023.43	124 703.85	-	124 703.85
WIP Roads	3 065 378.06	-	3 065 378.06	2 196 181.49	-	2 196 181.49
WIP Land Fill Site	226 726.00	-	226 726.00	226 726.00	-	226 726.00
WIP Cemeteries	3 885 847.82	-	3 885 847.82	3 368 995.26	-	3 368 995.26
Furniture and equipment	4 883 949.04	-3 313 929.13	1 570 019.91	4 819 790.04	-2 909 286.43	1 910 503.61
Computer equipment	5 706 336.93	-4 293 675.75	1 412 661.18	5 524 887.93	-3 770 345.05	1 754 542.88
Machinery and equipment	20 647 725.77	-9 627 826.87	11 019 896.90	18 846 974.40	-8 223 631.84	10 623 342.56
Transport Assets	16 197 786.55	-8 963 935.71	7 233 846.84	13 867 970.42	-8 003 301.44	5 864 668.98
Lease Assets	9 299.78	-8 973.10	326.68	9 299.78	-8 809.73	490.05
Housing letting schemes	307 629.95	-192 362.31	115 267.64	307 629.95	-192 362.31	115 267.64
	458 521 372.80	-145 799 860.40	310 721 512.40	440 714 580.66	-132 082 226.25	308 652 354.41

Repairs and maintenances to the value of R3 926 515 (R3 630 760 - 2019) was incurred to repair and maintain property plant and equipment.

Reconciliation of property, plant and equipment - 2020

	Opening Balance	Prior Year adjustment	Additions	Newly Identified assets at fair value	Transfers	Disposals	Depreciation	Impairment (loss)	Total
Land	60 969 536.72	0.00	0.00	0.00	0.00	0.00	0.00	0.00	60 969 536.72
Community Asset (Buildings)	57 378 977.47	0.00	171 813.50	0.00	0.00	9 325 507.53	0.00	-3 408.54	64 152 384.90
Electricity	28 248 559.07	0.00	158 650.00	0.00	0.00	0.00	0.00	-51 865.48	27 084 349.63
Road	122 563 349.30	0.00	27 900.00	0.00	0.00	0.00	0.00	-62 725.26	116 863 684.44
Solid waste	2 254 304.20	0.00	0.00	0.00	0.00	0.00	0.00	-435 453.13	1 818 851.07
Cemeteries	2 937 982.43	0.00	0.00	0.00	0.00	0.00	0.00	-253 776.91	2 683 091.38
WIP Buildings	8 114 242.90	0.00	9 089 390.89	0.00	0.00	0.00	0.00	0.00	7 638 619.80
WIP Electricity	124 703.85	0.00	836 319.58	0.00	0.00	0.00	0.00	0.00	961 023.43
WIP Roads	2 196 181.49	0.00	869 196.57	0.00	0.00	0.00	0.00	0.00	3 065 378.06
WIP Land Fill Site	226 726.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	226 726.00
WIP Cemeteries	3 368 995.26	0.00	516 852.56	0.00	0.00	0.00	0.00	0.00	3 885 847.82
Furniture and equipment	1 910 503.61	0.00	64 159.00	0.00	0.00	0.00	0.00	0.00	1 970 019.91
Computer equipment	1 754 542.88	0.00	181 449.00	0.00	0.00	0.00	0.00	0.00	1 935 991.88
Machinery and equipment	10 623 342.56	0.00	1 561 244.91	0.00	0.00	0.00	0.00	-2 540.34	12 184 587.47
Transport Assets - restated	5 864 668.98	0.00	2 329 816.13	0.00	0.00	239 506.46	0.00	-960 638.27	8 233 846.84
Lease Assets	490.05	0.00	0.00	0.00	0.00	0.00	0.00	-163.37	326.68
Housing letting schemes	115 267.64	0.00	0.00	0.00	0.00	0.00	0.00	0.00	115 267.64
	308 652 354.41	0.00	15 806 792.14	0.00	0.00	0.00	0.00	-121 633.76	310 721 512.40

Reconciliation of property, plant and equipment - 2019

	Opening Balance	Prior year adjustment	Additions	Donations	Disposals	Transfers	Depreciation	Impairment (loss)	Total
Land - restated	61 009 564.48	-40 027.76	0.00	0.00	0.00	0.00	0.00	0.00	60 969 536.72
Community Asset (Buildings) - restated	58 029 151.27	0.00	0.00	1 453 316.24	0.00	0.00	515 205.94	0.00	57 378 977.47
Electricity - restated	28 157 335.27	0.00	0.00	0.00	0.00	3 896.27	1 340 859.01	0.00	28 248 559.07
Road - restated	100 211 755.26	0.00	0.00	0.00	0.00	-26 336.77	28 006 745.31	-16 216.86	122 563 349.30
Solid waste - restated	2 520 601.52	0.00	157 580.00	0.00	0.00	-8 475.45	0.00	0.00	2 654 706.07
Cemeteries	3 192 063.71	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3 192 063.71
WIP Buildings - restated	5 164 012.23	0.00	2 589 312.20	1 708 446.34	-747 657.20	0.00	-599 870.67	0.00	8 114 242.90
WIP Electricity	0.00	0.00	1 709 041.12	0.00	0.00	0.00	-1 584 337.27	0.00	124 703.85
WIP Roads	23 396 124.77	0.00	7 971 268.37	0.00	-1 164 465.66	0.00	-28 006 745.99	0.00	2 196 181.49
WIP Land Fill Site	226 726.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	226 726.00
WIP Cemeteries	0.00	0.00	3 368 995.26	0.00	0.00	0.00	0.00	0.00	3 368 995.26
Furniture and equipment - restated	1 421 147.47	0.00	234 493.00	540 498.00	-767.44	0.00	84 664.71	-31.96	1 910 503.61
Computer equipment - restated	1 805 009.17	0.00	522 493.12	0.00	0.00	0.00	0.00	-974.20	2 326 502.09
Machinery and equipment - restated	8 676 490.95	0.00	2 989 896.71	2 077.32	-55 385.34	243 478.26	-1 213 225.34	0.00	10 623 342.56
Transport Assets - restated	7 441 183.82	0.00	0.00	0.00	-678 744.66	0.00	0.00	0.00	6 762 439.16
Lease Assets	763.49	0.00	0.00	0.00	-25.61	0.00	0.00	0.00	737.88
Housing letting schemes - restated	898 553.52	-783 285.88	0.00	0.00	0.00	0.00	0.00	0.00	115 267.64
	302 150 482.93	-823 313.64	19 523 069.78	3 704 337.90	-2 727 364.57	-0.70	-13 157 634.27	-17 223.02	308 652 354.41

Details of property, plant and equipment are included in a register which is available for inspection at the municipal offices.  
Refer to Note 35 for prior period errors

**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2020

	Note	2020	2019 RESTATED
		R	R
<b>8 INTANGIBLE ASSETS</b>			
<b>Reconciliation of carrying value</b>			
		R	R
<b>as at 1 July 2019</b>		115 513	22 177
Cost		994 124	1 012 897
Accumulated amortisation and impairment losses		( 878 611)	( 857 038)
Acquisitions		-	-
Amortisation		( 32 725)	( 40 346)
Carrying value of disposals		-	-
Cost		-	18 773
Accumulated amortisation		-	(18 773)
Other movements Prior period error (Refer to Note 35)			54 653
<b>as at 30 June 2020</b>		<b>82 787</b>	<b>115 513</b>
Cost		994 124	994 124
Accumulated amortisation and impairment losses		( 911 336)	( 878 611)

The carrying value of intangible assets disclosed relate to computer software and other.

**9 INVESTMENT PROPERTY CARRIED AT FAIR VALUE**

	Investment property	Total
<b>Reconciliation of fair value</b>		
<b>as at 1 July 2019</b>	55 822 000	55 822 000
Acquisitions	-	-
Fair value adjustment	( 275 000)	( 275 000)
Newly identified assets	-	-
<b>as at 30 June 2020</b>	<b>55 547 000</b>	<b>55 547 000</b>
<b>Reconciliation of fair value</b>		
	Investment property	Total
<b>as at 1 July 2018</b>	47 890 000	47 890 000
Acquisitions	-	-
Fair value adjustment	9 047 000	9 047 000
Prior period error	( 1 115 000)	( 1 390 000)
<b>as at 30 June 2019</b>	<b>55 822 000</b>	<b>55 822 000</b>
	<b>55 822 000</b>	<b>55 822 000</b>

The investment property values are based on the valuation roll. The fixed date of the revaluations was 1 July 2016. Valuations were performed by an independent valuer, Mr Philip Carl Jacobs, Professional Valuer, Registration number 5375, of Umhlaba Geomatics Incorporated of Dundee. The valuer is not connected to the municipality and have recent experience in the location and category of the investment property being valued. The valuation was based on open market value.

Rental income from these properties amount to	1 288 851	1 000 583
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No amounts were expensed towards repairs and maintenance costs for income generating investment properties

Details of investment properties are included in a register which is available for inspection at the municipal offices

**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2020

	2020	2019 RESTATED
	R	R
<b>10 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
Trade creditors	19 092 676	17 981 694
Payments received in advance	4 020 339	2 202 258
Retentions	1 994 832	1 371 390
Staff leave accrual	9 278 430	7 678 930
Deposits - other	115 190	101 890
Other creditors	593 228	2 168 311
<b>Total</b>	<b>35 094 695</b>	<b>31 504 474</b>
The fair value of trade and other payables approximates their carrying amounts.		
<b>11 CONSUMER DEPOSITS</b>		
Consumer deposits: electricity	5 227 697	5 122 224
Guarantees held in lieu of electricity deposits	153 310	153 310
<b>12 VAT PAYABLE</b>		
VAT payable	3 925 527	3 047 189
VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.		
<b>13 PROVISIONS</b>		
<b>Provision for Long-Service Awards</b>		
Opening Balance	5 255 021	5 035 266
Contribution to provision	644 407	639 925
Expenditure incurred	( 602 217)	( 420 170)
<b>Balance at the end of year</b>	<b>5 297 212</b>	<b>5 255 021</b>
Current Provision	612 805	554 554
Non Current Provision	4 684 406	4 700 467
	<b>5 297 211</b>	<b>5 255 021</b>
The long-service award is payable after every 5 years of completed service and thereafter after 5 year intervals of continuous service.		
<b>Provision for Rehabilitation of Landfill Sites</b>		
Opening Balance	8 663 924	8 501 202
Unwinding discount	2 189 607	162 722
<b>Balance at the end of year</b>	<b>10 853 531</b>	<b>8 663 924</b>
Current Provision	-	-
Non Current Provision	10 853 531	8 663 924
	<b>10 853 531</b>	<b>8 663 924</b>
The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation, discounted at 7.25%, over an average period of 2.84 years.		
The provision created for the rehabilitation of the landfill site is based on Anderson Vogt Consulting Engineers assessment of the rehabilitation costs of the Glencoe dumpsite. A study will be done to determine the cost estimate in the near future		
The provision is calculated in line with the consulting engineers assessment as determined by discounting the present value of the estimate. The estimate excludes VAT. Council intends to commence spending against the provision in 2.84 years.		
<b>CURRENT PROVISIONS</b>		
Current portion of long-service provision	612 805	554 554
Current portion of retirement benefit obligations (Note 41)	3 255 477	2 846 781
<b>Total Current Provisions</b>	<b>3 868 282</b>	<b>3 401 335</b>

**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2020

	2020 R	2019 RESTATED R
<b>NON-CURRENT PROVISIONS</b>		
Provision for rehabilitation of landfill sites	10 853 531	8 663 924
Provision for long-service awards	4 684 406	4 700 467
<b>Total Non-Current Provisions</b>	<b>15 537 937</b>	<b>13 364 392</b>

**14 UNSPENT CONDITIONAL GRANTS AND RECEIPTS**  
**Conditional Grants from other spheres of Government**

SETA Grant	670 611	735 257
Transfer / Buyback Centre	9 063	8 641
Expanded Public Works Program	111 341	-
Sibongile Dundee Cyber Cadet Grant	262 322	395 860
Museum Infrastructure Grant	1 965	1 965
Rural Horse Riding Grant	20 005	19 076
Upgrade Sibongile Hostel	534 059	508 172
Ext 18 Housing Project	206 365	206 365
Upgrade Sithembile Hostel	434 688	413 855
Training of councillors	11 102	11 102
Pound Grant	132 259	132 259
Sports Grant	1 506	27 261
MIG funding	2 928 707	1 554 491
Integrated National Electrification Programme grant	4 328 137	3 338 007
Disaster Relief Grant	704 591	-
Small Town Rehabilitation	560 700	781 125
Massification Programme Grant	3 134 728	5 119 114
Building Plan Man. System	70 000	500 000
<b>Total Unspent Conditional Grants and Receipts</b>	<b>14 122 146</b>	<b>13 752 551</b>

**Endumeni Municipality as an Agent for Eskom (INEP)**

The municipality entered into an arrangement with Eskom whereby the municipality acts as Eskom's agent. The municipality manages the construction of electrical infrastructure in areas not covered by Endumeni's licence. The municipality received the INEP allocation, accepts invoices for work done from service providers and manages the payment process on behalf of Eskom and hands over the infrastructure upon completion. A reconciliation of the funds received and paid and any outstanding balances are disclosed below.

**Department of National Energy - Integrated National Electrification Programme**

Balance unspent at beginning of year	7 000 000
Current year receipts	( 2 671 863)
Expenditure claimed in accordance with grant conditions	
Funds transferred back to Revenue Fund	
Conditions still to be met-transferred to liabilities	<b>4 328 137</b>

This grant is for the Integrated National Electrification Programme increasing access to electricity specially in rural areas. Funds were withheld.

See Note 21 for reconciliation of grants from other spheres of government. Some of these grants are invested in ring-fenced investment accounts until utilised.

**15 HOUSING DEVELOPMENT FUND RESERVE**

Housing Operating Account	4 636 077	4 548 969
	<b>4 636 077</b>	<b>4 548 969</b>

The housing development fund is represented by the following assets & liabilities:

**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2020

	2020	2019
	R	RESTATED R
Fixed assets	115 268	898 554
Debtors	3 989 307	3 143 966
Cash at bank	531 503	506 450
Total Housing Operating Account Assets and Liabilities	<b>4 636 077</b>	<b>4 548 969</b>
<b>16 OTHER RESERVES</b>		
Insurance Reserve	2 356 153	1 049 235
	<b>2 356 153</b>	<b>1 049 235</b>
The insurance reserve has been ring fenced within accumulated surplus		
Opening balance	2 325 689	1 049 235
Transfers	30 464	1 276 454
Closing balance	<b>2 356 153</b>	<b>2 325 689</b>
<b>17 PROPERTY RATES</b>		
<u>Actual</u>		
Agriculture properties	2 084 863	1 918 784
Business and Commercial properties	22 719 523	20 992 941
Industrial properties	8 343 195	7 815 647
Mining properties	549 650	491 526
Public service infrastructure	28 825	36 774
Public service purposes	13 942 798	13 197 341
Residential Properties	47 590 271	45 303 719
Leases		-
Vacant Property	6 097 835	5 866 502
Revenue foregone	( 17 713 331)	( 16 466 272)
<b>Total</b>	<b>83 643 629</b>	<b>79 156 962</b>
<u>Valuations</u>		
Agriculture properties	1 226 954 000	1 225 542 000
Business and Commercial properties	581 706 000	578 701 000
Cemetery (Private)	498 000	498 000
Industrial properties	213 054 000	213 054 000
Mining properties	12 441 000	11 703 000
Municipal properties	295 511 000	295 776 000
Public Benefits Organisation	115 130 000	115 130 000
Public service infrastructure	49 759 000	49 759 000
Public service purposes	276 095 000	276 095 000
Residential Properties	3 511 243 500	3 500 277 500
Worship Residential	85 202 000	84 531 000
Vacant Property	59 213 000	61 293 000
<b>Total Property Valuations</b>	<b>6 426 806 500</b>	<b>6 412 359 500</b>
The last general valuation came into effect on:	01/07/2017	01/07/2017
Property rates levied in terms of the Local Government: Municipal Property Rates Act No. 6 of 2004 with effect from 01/07/2017.		
Interim valuations are processed on a quarterly basis to take into account changes in individual land values due to consolidations and subdivisions.		
Assessment rates: Cents in the rand on market valuation as follows:		
Agriculture properties	0.4200c/R	0.4000c/R
Business and commercial properties	4.4400c/R	4.2000c/R
Industrial properties	4.4500c/R	4.2100c/R
Mining properties	4.4400c/R	4.2000c/R
Public service properties	5.0500c/R	4.7800c/R
Public service infrastructure	0.4200c/R	0.4000c/R
Residential properties	1.6900c/R	1.6000c/R
Vacant properties	10.1900c/R	9.6500c/R

The first R15 000 of the valuation of residential properties are exempt from the calculation of rates.

**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2020

	2020	2019
	R	RESTATED R
<b>Rebates:</b>		
Agricultural property	60%	60%
Smallholdings	25%	30%
Business and commercial properties	12%	12%
Industrial properties	12%	12%
Land reform, worship, PBO's, monuments, informal settlements and municipal owned property		
Residential properties	22%	22%
Public service infrastructure	90%	30%
Pensioners (Earning R4500 per month)	25%	25%
Pensioners (Earning R4501 - R5000 per month)	20%	20%
Pensioners (Earning R5001 - R5500 per month)	15%	15%
Pensioners (Earning R5501 - R6500 per month)	10%	10%

Rates are levied as follows (in terms of Section 26 of the Municipal Property Rates Act No. 6 of 2004 for the 2016 financial year):

On a monthly basis, and the final dates of payment being the last working day of the month from August 2019 to June 2020.

Interest is levied on outstanding rates per annum at:	12%	12%
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**18 SERVICE CHARGES**

Sale of electricity	117 588 183	116 065 146
Refuse removal	23 361 555	22 441 688
Indigent Support - Electricity	( 1 422 566)	( 1 262 170)
Indigent Support - Refuse Removal	( 4 010 110)	( 3 367 218)
<b>Total Service Charges</b>	<b>135 517 062</b>	<b>133 877 446</b>

**19 RENTAL OF FACILITIES AND EQUIPMENT**

Rental of facilities and equipment	1 394 488	1 508 127
Other rentals	-	-
<b>Total Rentals</b>	<b>1 394 488</b>	<b>1 508 127</b>

**20 INTEREST EARNED - EXTERNAL INVESTMENTS**

Bank	2 799 884	2 963 471
Financial assets	-	-
Other	-	-
<b>Total Interest</b>	<b>2 799 884</b>	<b>2 963 471</b>

**21 TRANSFERS AND SUBSIDIES**

Equitable Share	46 837 000	41 598 552
Municipal Infrastructure Grant	12 281 293	22 932 509
Financial Management Grant	2 235 000	1 770 000
Library Subsidy	4 115 000	3 908 000
LGSETA Grant	348 726	25 000
Sibongile Dundee Cyber Cadet grant	578 376	895 479
Sport Grant	25 755	22 739
Museum Subsidy	463 000	441 000
Integrated National Electrification Programme Grant	-	3 591 993
Expanded Public Works Programme	1 298 660	1 000 000
Training of Councillors Grant	-	12 000
Small Town Rehabilitation Grant	258 433	543 172
Rural Horse Riding Grant	-	-
Housing Grant	-	3 943 771
Building Plan Man. System	430 000	-
Massification Programme Grant	1 984 386	2 380 886
Disaster Relief Grant	70 409	-
<b>Total Government Grant and Subsidies</b>	<b>70 926 038</b>	<b>83 065 101</b>

**Equitable Share**

Balance unspent at beginning of year	-	-
Current year receipts	46 837 000	41 598 552
Transferred to revenue	( 46 837 000)	( 41 598 552)

Conditions still to be met-transferred to liabilities (see note 14)

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2020**

	2020 R	2019 RESTATED R
<b>Municipal Infrastructure Grant</b>		
Balance unspent at beginning of year	1 554 491	-
Current year receipts	15 210 000	24 487 000
Conditions met - transferred to revenue	( 12 281 293)	( 22 932 509)
Funds transferred to Revenue Fund	( 1 554 491)	-
Conditions still to be met-transferred to liabilities (see note 14)	<u>2 928 707</u>	<u>1 554 491</u>
This grant is used to improve/establishment of infrastructure. Funds were withheld		
<b>Financial Management Grant</b>		
Balance unspent at beginning of year	-	-
Current year receipts	2 235 000	1 770 000
Conditions met - transferred to revenue	( 2 235 000)	( 1 770 000)
Conditions still to be met-transferred to liabilities (see note 14)	<u>-</u>	<u>-</u>
This grant is directed towards improving compliance, implementation and management of the MFMA and Supporting reforms. No funds were withheld.		
<b>Library subsidy</b>		
Balance unspent at beginning of year	-	-
Current year receipts	4 115 000	3 908 000
Conditions met - transferred to revenue	( 4 115 000)	( 3 908 000)
Conditions still to be met-transferred to liabilities (see note 14)	<u>-</u>	<u>-</u>
This subsidy is in respect of the municipal library services.		
<b>LGSETA grant</b>		
Balance unspent at beginning of year	735 257	637 393
Current year receipts	284 080	122 864
Conditions met - transferred to revenue	( 348 726)	( 25 000)
Conditions still to be met-transferred to liabilities (see note 14)	<u>670 611</u>	<u>735 257</u>
This grant is in respect of skills training for municipal staff. No Funds were withheld		
<b>Museum Grant</b>		
Balance unspent at beginning of year	1 965	1 965
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met-transferred to liabilities (see note 14)	<u>1 965</u>	<u>1 965</u>
The grant was for the upgrade of infrastructure at the museum. No funds were withheld.		
<b>Cyber Cadet grant</b>		
Balance unspent at beginning of year	395 860	843 869
Current year receipts	444 838	447 470
Conditions met - transferred to revenue	( 578 376)	( 895 479)
Conditions still to be met-transferred to liabilities (see note 14)	<u>262 322</u>	<u>395 860</u>
This grant is for the Cyber Cadets. No funds were withheld.		
<b>Department of Sports grant</b>		
Balance unspent at beginning of year	27 261	-
Current year receipts	-	50 000
Expenditure claimed in accordance with grant conditions	( 25 755)	( 22 739)
Conditions still to be met-transferred to liabilities (see note 14)	<u>1 506</u>	<u>27 261</u>
This grant is intended for the building of a sports facility. No funds were withheld.		

**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2020

	2020 R	2019 RESTATED R
<b>Museum subsidy</b>		
Balance unspent at beginning of year	-	-
Current year receipts	463 000	441 000
Expenditure claimed in accordance with grant conditions	( 463 000)	( 441 000)
Conditions still to be met-transferred to liabilities (see note 14)	-	-
This subsidy is to fund museum services. No funds were withheld.		
<b>KZN Housing - Sibongile hostel</b>		
Balance unspent at beginning of year	508 172	480 713
Current year receipts	25 887	27 460
Expenditure claimed in accordance with grant conditions	-	-
Conditions still to be met-transferred to liabilities (see note 14)	534 059	508 172
This grant is for the upgrade of the Sibongile hostel. No funds were withheld.		
<b>KZN Housing - Ext 18 housing project</b>		
Balance unspent at beginning of year	206 365	206 365
Current year receipts	-	-
Expenditure claimed in accordance with grant conditions	-	-
Conditions still to be met-transferred to liabilities (see note 14)	206 365	206 365
This grant is for the upgrade of the Extension 18 housing project. No funds were withheld.		
<b>KZN Housing - Upgrade of Sithembile Hostel</b>		
Balance unspent at beginning of year	413 855	391 610
Current year receipts	20 833	22 245
Expenditure claimed in accordance with grant conditions		
Conditions still to be met-transferred to liabilities (see note 14)	434 688	413 855
This grant is for the upgrade of Sithembile hostel. No funds were withheld.		
<b>Dept of Human Settlements - Sibongile Housing Development</b>		
Balance unspent at beginning of year	-	3 943 771
Current year receipts	-	-
Expenditure claimed in accordance with grant conditions	-	( 3 943 771)
Conditions still to be met-transferred to liabilities (see note 14)	-	-
This grant is for the Sibongile Bufferstrip housing. No funds were withheld.		
<b>Department of Cooperative Governance and Traditional Affairs - Training of Councillor Grant</b>		
Balance unspent at beginning of year	11 102	23 102
Adjustments and transfers	-	-
Current year receipts	-	-
Expenditure claimed in accordance with grant conditions		( 12 000)
Conditions still to be met-transferred to liabilities (see note 14)	11 102	11 102
This grant is for the training of Councillors. No funds were withheld.		
<b>Department of Cooperative Governance and Traditional Affairs - Pound Grant</b>		
Balance unspent at beginning of year	132 259	132 259
Current year receipts	-	-
Expenditure claimed in accordance with grant conditions	-	-
Conditions still to be met-transferred to liabilities (see note 14)	132 259	132 259

**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2020**

	2020 R	2019 RESTATED R
This grant is for the establishment of a municipal pound. No funds were withheld.		
<b>Department of National Energy - Integrated National Electrification Programme</b>		
Balance unspent at beginning of year	3 338 007	97 552
Current year receipts		6 930 000
Expenditure claimed in accordance with grant conditions		( 3 591 993)
Funds transferred back to Revenue Fund	( 3 338 007)	( 97 552)
Conditions still to be met-transferred to liabilities (see note 14)	-	3 338 007

This grant is for the Integrated National Electrification Programme increasing access to electricity specially in rural areas. Funds were withheld. See note 14 for INEP funds received by the municipality in which the Endumeni Municipality is an Agent in an agent principal arrangement.

**Department of Environmental Affairs - Transfer station**

Balance unspent at beginning of year	8 641	8 176
Current year receipts	422	465
Expenditure claimed in accordance with grant conditions	-	-
Conditions still to be met-transferred to liabilities (see note 14)	9 063	8 641

The grant is for improvement of public participation. No funds were withheld.

**Dept of Public Works - Expanded Public Works Programme**

Balance unspent at beginning of year	-	-
Current year receipts	1 410 000	1 000 000
Conditions met - transferred to revenue	( 1 298 660)	( 1 000 000)
Conditions still to be met-transferred to liabilities (see note 14)	111 341	-

This grant is for Local Economic Development.  
No funds were withheld.

**Small town rehabilitation grant**

Balance unspent at beginning of year	781 125	1 264 104
Current year receipts	38 007	60 193
Conditions met - transferred to revenue	( 258 433)	( 543 172)
Conditions still to be met-transferred to liabilities (see note 14)	560 700	781 125

This grant is intended for the commercialisation of mixed agricultural projects and rehabilitation of parks. No funds were withheld.

**Rural Horse Riding Grant**

Balance unspent at beginning of year	19 076	18 048
Current year receipts	929	1 028
Conditions met - transferred to revenue	-	-
Conditions still to be met-transferred to liabilities (see note 14)	20 005	19 076

This grant was for the upgrade of infrastructure at the racetrack. No funds were withheld.

**Building Plan Man. System**

Balance unspent at beginning of year	500 000	-
Current year receipts	-	500 000
Conditions met - transferred to revenue	( 430 000)	-
Conditions still to be met-transferred to liabilities (see note 14)	70 000	500 000

To help rollout a pilot building plans Information Management System at Endumeni Municipality. No funds were withheld.

**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2020**

	2020 R	2019 RESTATED R
<b>Massification Programme Grant</b>		
Balance unspent at beginning of year	5 119 114	-
Current year receipts	-	7 500 000
Conditions met - transferred to revenue	( 1 984 386)	( 2 380 886)
Conditions still to be met-transferred to liabilities (see note 14)	<u>3 134 728</u>	<u>5 119 114</u>

This grant is for the purchase of Yellow Plant and to supplement the Municipal Electrification Programme.

**Disaster Relief Grant**

Balance unspent at beginning of year	-	-
Current year receipts	775 000	-
Conditions met - transferred to revenue	( 70 409)	-
Conditions still to be met-transferred to liabilities (see note 14)	<u>704 591</u>	<u>-</u>

This grant is to assist in response to COVID 19

**22 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS**

**22 Other Income**

Burial fees	106 813	95 804
Discount received	-	-
Land Sales	336 207	441 193
Other Income	546 199	811 142
Donations/ Awards	-	3 790 845
<b>Total Other Income</b>	<u><b>989 218</b></u>	<u><b>5 138 984</b></u>

**23 EMPLOYEE RELATED COSTS**

Employee related costs - Salaries and Wages	70 470 917.64	67 724 485
Acting allowance	1 548 253	1 050 605
Performance and other bonuses	5 711 065	5 226 675
Casual labour	2 418 316.94	3 228 431
Contribution to leave reserve	2 478 647	1 714 804
Group Life	288 551	285 940
Leave	2 151 120	2 325 288
Medical Aid	5 821 928	5 508 053
Housing allowances	952 589	963 351
Overtime payments	2 240 074	2 261 101
Pension	12 698 365	12 388 165
SALGA Shop fee	40 439	40 416
SARPA Membership		8 351
SAMRO		6 067
Standby Allowance	1 244 716	852 841
Sundry Allowance	569 487	863 596
Transport allowance	5 771 768	5 933 332
UIF	594 270	589 789
Cellphone Allowance	58 800	54 759
Scarcity allowance	291 000	321 000
<b>Total</b>	<u><b>115 350 307</b></u>	<u><b>111 347 049</b></u>

**Remuneration of the Municipal Manager**

Annual Remuneration	523 860	709 081
Leave conversion	-	130 011
Acting Allowance	596 845	393 060
Travel or motor vehicle allowance	72 037	304 692
Performance- and other bonuses	-	-
Cellphone allowance	12 000	18 066
Contributions to UIF, Medical and Pension Funds	948	1 575
<b>Total</b>	<u><b>1 205 690</b></u>	<u><b>1 556 485</b></u>

The Municipal Manager was placed on suspension on 29 November 2018 and the position became vacant in April 2019. The Municipal Manager position was then filled in January 2019. The above remuneration includes an acting allowance for the managers acting in the position of Municipal Manager during the period that the position was vacant.

**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	2020	2019 RESTATED
	R	R
<b>Remuneration of the Chief Finance Officer</b>		
Annual Remuneration	550 000	
Leave conversion	-	
Acting Allowance	14 413	93 866
Performance- and other bonuses	-	
Housing allowance	-	
Cell phone allowance	9 500	
Travel or motor vehicle allowance	147 822	
Contributions to SALGA, UIF, Medical and Pension Funds	145 504	
<b>Total</b>	<b>867 239</b>	<b>93 866</b>

The Chief Financial Officer position became vacant in October 2017 and was vacant for the 2018/2019 financial year. The position was filled in September 2019, the above remuneration includes the acting allowances for the managers acting in the position.

<b>Remuneration of the Executive Manager Technical Services</b>		
Annual Remuneration	544 360	672 603
Leave conversion	-	70 849
Acting Allowance	40 653	12 352
Performance- and other bonuses	-	
Housing Allowances	32 000	
Cell phone allowance	7 600	7 975
Travel or motor vehicle allowance	62 722	97 385
Contributions to UIF, Medical and Pension Funds	35 578	1 417
<b>Total</b>	<b>722 913</b>	<b>862 581</b>

The Executive Manager Technical Services position became vacant in March 2019 after resignation of the Executive Manager Technical Services. The position was filled in November 2019. The above remuneration includes the acting allowances for the managers acting in the position whilst the position was vacant.

<b>Remuneration of the Executive Manager Corporate Services</b>		
Annual Remuneration	512 000	677 705
Leave conversion	-	115 130
Acting Allowance	326 694	48 394
Performance- and other bonuses	-	-
Housing allowance	-	87 000
Cell phone allowance	7 600	10 669
Travel or motor vehicle allowance	69 236	192 263
Contributions to UIF, Medical and Pension Funds	93 424	75 007
<b>Total</b>	<b>1 008 955</b>	<b>1 206 167</b>

The position of the Executive Manager Corporate Services became vacant in June 2019 after the resignation of the Executive Manager Corporate Services. The position was filled in November 2019. The above remuneration includes an acting allowance for the managers acting in this position whilst the position was vacant.

<b>Remuneration of the Executive Manager Planning and Development</b>		
Annual Remuneration	600 000	68 835
Leave conversion	-	96 241
Acting Allowance	11 146	8 381
Performance- and other bonuses	-	-
Cell phone allowance	9 500	950
Travel or motor vehicle allowance	99 668	5 792
Contributions to UIF, Medical and Pension Funds	143 658	12 548
<b>Total</b>	<b>863 972</b>	<b>192 748</b>

The position of the Executive Manager Planning and Development is a new position and was filled in August 2016 and became vacant in August 2018 after resignation of the Executive Manager Planning and Development. The position was filled in September 2019. The above remuneration includes an acting allowance for the managers acting in this position.

**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2020

	2020	2019
	R	RESTATED R
<b>24 REMUNERATION OF COUNCILLORS</b>		
Mayor	521 048	266 018
Deputy Mayor	426 433	91 135
Speaker	424 998	276 779
Executive Committee Member	400 993	445 311
Councillors	2 126 711	1 922 834
Councillors' travel allowances	410 744	595 588
Cell phone allowance	368 560	507 123
<b>Total Councillors' Remuneration</b>	<b>4 679 487</b>	<b>4 104 787</b>
<b>In-kind Benefits</b>		
The Executive Mayor Deputy Executive Mayor and Speaker are part-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Mayor has use of the Council owned vehicle for official duties. The Mayor has a driver and bodyguards and 24 hour security. The Speaker has a driver and bodyguards and 24 hour security. The deputy Mayor has a driver and security at night only. All other councillors had security for part of the financial year only.		
<b>25 DEPRECIATION AND AMORTISATION EXPENSE</b>		
Property, plant and equipment	13 616 000	13 157 634
Property, plant and equipment - prior period error (Refer to Note 35)	-	-
Intangible assets	32 725	40 346
Intangible assets - prior period error (Refer to Note 35)	-	-
<b>Total Depreciation and Amortisation</b>	<b>13 648 726</b>	<b>13 197 980</b>
<b>26 BULK PURCHASES</b>		
Electricity	103 897 454	89 415 159
<b>Total Bulk Purchases</b>	<b>103 897 454</b>	<b>89 415 159</b>
<b>27 CONTRACTED SERVICES</b>		
<b>Outsourced Services</b>		
Meter auditing	2 288 286	2 576 288
Prepaid Vending	2 187 135	2 457 400
Other Contracted services	502 084	179 236
<b>Contractors</b>		
Maintenance of Buildings and Facilities	8 937 434	10 990 085
<b>Consultants and Professional Services</b>		
Legal Expenses	1 049 949	2 690 766
Audit Committee	180 225	128 624
Audit Fees & Internal Audit Fees	5 359 108	4 377 762
	<b>20 504 219</b>	<b>23 400 161</b>
<b>28 OPERATIONAL COSTS</b>		
Included in operational costs are the following:-		
Advertising	138 673	443 921
Amendments To Acts & Ord.	5 024	827 227
Bank Charges	810 196	974 794
H I V Aids	32 000	114 584
Insurance	823 862	395 214
Lease Payments	575 283	519 883
Materials	448 628	554 842
Membership Fees Kwanaloga	1 380 559	1 303 752
Meter Reading Fees	144 946	98 010
National Cleanest Town Compet	86 947	79 972
New Connections	197 694	359 822
Postages	440 055	392 480
Printing & Stationery	853 527	912 247
Prodiba - License card Payments	285 269	401 478
Marketing/ Civic presentation	76 363	139 427
Rural Horse Riding Event	376 254	770 119
Security	9 626 233	15 687 934
Service Of Process	50 800	50 800
Sport, Youth, Arts And Culture	646 325	1 331 074

**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	2020	2019 RESTATED
	R	R
Staff Training and Levy	162 621	136 781
Subsistence & Travelling	664 042	1 156 088
Telephone	1 397 036	1 352 399
Traffic Control	82 634	171 102
Transport Cost	4 357 936	4 106 455
Valuation Fees	252 936	265 029
Other General Expenses	6 035 650	5 601 719
Technical Support	584 747	311 879
Planning and economic development	847 668	1 281 581
Transfers and subsidies	4 612 112	10 506 806
	<b>35 996 019</b>	<b>50 247 419</b>
<b>29 GAIN / (LOSS) ON SALE OF ASSETS</b>		
Property, plant and equipment		( 1 727 085)
Investment property		( 1 115 000)
Intangible assets	-	-
<b>Total Gain / (Loss) on Sale of Assets</b>	<b>-</b>	<b>-2 842 085</b>
<b>30 IMPAIRMENT LOSS / (REVERSAL OF IMPAIRMENT LOSS)</b>		
Property, plant and equipment	121 634	17 223
Property, plant and equipment prior period error (Refer to note 35)		-
Consumable Stores Impairment Loss	( 23 907)	83 188
<b>Total Impairment loss / (Reversal of Impairment Loss)</b>	<b>97 727</b>	<b>100 411</b>
<p>During the financial period a physical verification of assets was undertaken. Assets identified during the physical verification that is deemed to be in a poor and very poor physical condition was tested for possible impairment. As a result, 89 assets were tested for impairment, and additional impairment losses amounting to R 121 634 223 were recognised in respect of 27 of these assets</p>		
<b>31 PROFIT / (LOSS) ON FAIR VALUE ADJUSTMENT</b>		
Investment property carried at fair value	( 275 000)	9 047 000
Other newly identified assets		
<b>Total Profit / (Loss) on Fair Value Adjustment</b>	<b>-275 000</b>	<b>9 047 000</b>
<b>32 CASH GENERATED BY OPERATIONS</b>		
Surplus/(deficit) for the year	1 943 087	13 444 880
Adjustment for:-		
Depreciation	13 616 000	13 157 634
Amortisation	32 725	40 346
(Gain) / loss on sale of assets	-	2 842 085
Contribution to retirement benefit obligation and Long Service	( 1 061 917)	4 660 244
Contribution paid retirement benefit obligation and Long Service	( 3 070 482)	( 2 615 854)
Contribution to landfill site provision	2 189 607	162 722
Contribution to bad debt provision	10 671 309	13 928 457
Contribution to leave provision	1 599 500	1 016 969
Straightlining of leases	( 56 504)	-
Finance costs paid	-	-
Fair value adjustments	275 000	( 9 047 000)
Impairment loss / (reversal of impairment loss)	121 634	17 223
Impairment loss / (reversal of impairment loss) on inventory	( 23 907)	83 188
Fines accrual	( 1 914 819)	( 1 662 411)
Donations	-	( 3 704 338)
Reserve income	117 572	1 377 795
Interest earned	( 2 799 884)	( 2 963 471)
<b>Operating surplus before working capital changes:</b>	<b>21 638 921</b>	<b>30 738 470</b>
(Increase)/decrease in inventories	( 136 507)	151 964
(Increase)/decrease in trade receivables	( 9 160 237)	( 10 381 677)
(Increase)/decrease in other receivables	( 11 531 666)	( 8 161 565)
Increase/(decrease) in VAT payable	878 338	590 763
Increase/(decrease) in conditional grants and receipts	369 596	9 647 395
Increase/(decrease) in trade payables	2 047 225	( 3 897 310)
<b>Cash generated by/(utilised in) operations</b>	<b>4 105 669</b>	<b>18 688 039</b>

**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2020

	2020	2019 RESTATED
	R	R
<b>33 CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Bank balances and cash	3 339 778	5 281 198
Short-term deposits	30 993 532	37 900 222
<b>Net cash and cash equivalents</b>	<b>34 333 310</b>	<b>43 181 420</b>
<b>34 CHANGE IN ACCOUNTING POLICY</b>		
Adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from a change in accounting policy. Land previously recorded as a municipal asset was credited to Accumulated Surplus/(Deficit) after the implementation of IGRAP 18 (see note 35). Properties were sold but took time to be registered into rightful owners name.		
<b>Property, plant and equipment</b>		
Balance previously reported		309 475 668
Implementation of IGRAP 18		( 823 314)
<b>Total</b>	<b>-</b>	<b>308 652 354</b>
<b>35 PRIOR PERIOD ERROR</b>		
<b>ACCOUNTS PAYABLE</b>		
<u>Creditor invoices received after cut off of creditors</u>		
During the year invoices were submitted for payment after the cut-off off creditors for the 2018/2019 financial year. The amounts were cumulatively material in amount. An adjustment was made to the Trade Payables and the expenditure items to correct this error.		
The effect of the the correction of the abovementioned prior period errors are reflected below:		
Balance previously reported 30 June 2019		( 16 940 305)
Creditor invoices identified after year end		( 1 041 389)
<b>Net effect on Statement of Financial Position</b>		<b>( 17 981 694)</b>
<b>SUNDRY CREDITORS</b>		
<u>Creditor balances that do not meet the definition of a liability</u>		
During the financial year, management performed a review of the creditors balances. It was noted that some balances were on the municipal books as creditors from 2013 or earlier with no movements. No correspondence was received from third parties claiming these monies and it is uncertain who these monies are due and payable to. These amounts were removed from Sundry creditors and reversed against the accumulated surpluses.		
The effect of the the correction of this prior period error is reflected below:		
Balance previously reported 30 June 2018		( 3 725 079)
Sundry creditors reversed to accumulated surpluses		1 556 767
<b>Net effect on Statement of Financial Position</b>		<b>( 2 168 312)</b>
<b>INVESTMENT PROPERTY</b>		
<u>Investment property transferred in the prior year</u>		
During the financial year, it was noted that a few properties were registered and transferred in the previous financial year but still appeared in the valuation roll from the previous year. An adjustment was therefore necessary to correct the error on investment property.		
Balance previously reported 30 June 2018		56 937 000
Investment property transferred		( 1 115 000)

**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2020

	2020	2019 RESTATED
	R	R
<b>Net effect on Statement of Financial Position</b>		55 822 000
<b>ACCUMULATED SURPLUS/(DEFICIT)</b>		
The effect of the the correction of prior period error above are as reflected below:		
Balance previously reported 30 June 2018		315 209 461
Sundry creditors that do not meet definition of a liability		( 1 422 936)
Implementation of IGRAP 18		1 556 767
Creditor invoices identified after year end		( 823 314)
Investment property transferred in prior years		( 1 041 389)
		( 1 115 000)
<b>Net effect on Statement of Financial Position</b>		313 786 525
<b>36 CHANGE IN ESTIMATE</b>		
There has been no significant changes in accounting estimates in the current reporting period.		
<b>UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE</b>		
<b>37 DISALLOWED</b>		
<b>Unauthorised expenditure</b>		
Opening balance	20 320 581	10 771 519
Unauthorised expenditure current year		
- Debt impairment	3 207 641	4 484 789
- Depreciation & asset impairment	2 776 567	4 810 354
- Legal Fees		253 919
- Training for councillor vote	67 200	
Approved by Council or condoned	( 20 320 581)	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	<u>6 051 408</u>	<u>20 320 581</u>
<b>Fruitless and wasteful expenditure</b>		
Reconciliation of fruitless and wasteful expenditure		
Opening balance -	157 193	8 861
Fruitless and wasteful expenditure current year	7 260	148 332
Condoned or written off by Council	( 157 193)	-
To be recovered – contingent asset (see note 55)	-	-
Fruitless and wasteful expenditure awaiting condonement	<u>7 260</u>	<u>157 193</u>
- Purchase of Firearms without license	-	98 550
- Bids advertised with no award being made	-	49 782
- Accommodation	7 260	-
	<u>7 260</u>	<u>148 332</u>
<b>38 Irregular expenditure</b>		
Reconciliation of irregular expenditure		
Opening balance	118 834 616	74 710 057
BAC not properly constituted 2016/17	-	-
Restated opening balance Irregular expenditure	<u>118 834 616</u>	<u>74 710 057</u>
Irregular expenditure current year	5 518 309	44 124 559
Condoned or written off by Council	( 118 834 616)	-
Transfer to receivables for recovery – not condoned	-	-
Irregular expenditure awaiting condonement	<u>5 518 309</u>	<u>118 834 616</u>
Other Supply chain management policy deviations (Refer to note 42.8)		
<b>Awards made to suppliers not in compliance with the SCM policy for the procurement of good and services.</b>	1 812 757	4 727 991
<b>Bid Adjudication committee not properly constituted SCM Regulation 29(2)(i)(ii).</b>	3 664 002	22 239 056
<b>Bid Adjudication committee not properly constituted SCM Regulation 29(2)(i)(ii), and Tenders not advertised for more than 14 days SCM regulation 22(1)(b)(i).</b>	-	494 927

**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2020

	2020 R	2019 RESTATED R
Bid Adjudication committee not properly constituted SCM Regulation 29(2)(i)(ii), and specification did not include local production and content Preferential procurement regulations 8(5).	-	675 913
Bid Adjudication committee not properly constituted SCM Regulation 29(2)(i)(ii), and bidders incorrectly disqualified in evaluation MFMA section 112(1)(f)	-	6 475 339
Awards below R200 000 made to supplier who did not score the highest preference points. Preferential procurement policy framework Act section 2(1)(f).	-	94 600
Three quotations not obtained from prospective suppliers SCM Regulations 17(1)(a) and declaration of interest not submitted by supplier SCM regulation 13(1)(c )	-	21 647
Three quotations not obtained from prospective suppliers SCM Regulations 17(1)(a)	41 550	120 595
Declaration of interest not submitted by supplier SCM Regulation 13(1)(c ), and tax clearance not submitted SCM Regulations 13(1)(b), and criteria for deviations from SCM policy not in compliance with SCM Regulation 36(1)(a).	-	5 478 902
Criteria for deviations from SCM policy not in compliance with SCM Regulation 36(1)(a)	-	1 249 984
Bid specification did not contain threshold for local production and content Preferential Procurement Regulations 8(2).	-	1 586 939
Awards made to suppliers for which objective criteria was not stipulated in tender documents section 2(1)(f) PPPFA	-	-
Expenditure exceeded contractual value MFMA section 116(2)(c )(ii).	-	940 266
Awards made to suppliers who's tax matters are not in order SCM Regulation 13(1)(b)	-	18 400
	<b>5 518 309</b>	<b>44 124 559</b>
<b>ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE</b>		
<b>39 MANAGEMENT ACT</b>		
<b>39.1 Contributions to organised local government</b>		
Opening balance	-	-
Council subscriptions	1 385 559	1 245 548
Amount paid - current	( 5 000)	( 15 991)
Amount paid - previous years	( 1 380 559)	( 1 229 557)
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>
<b>39.2 Audit fees</b>		
Opening balance	-	-
Current year audit fee	3 710 232	2 497 537
Amount paid - current year	( 3 710 232)	( 2 497 537)
Amount paid - previous years	-	-
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>
<b>39.3 VAT</b>		
Vat received for the year	4 238 506	4 366 037
Vat paid for the year	581 537	845 451
All VAT returns have been submitted by the due date throughout the year.		
<b>39.4 PAYE and UIF</b>		
Opening balance	-	-
Current year payroll deductions	16 583 699	15 397 310
Amount paid - current year	( 16 583 699)	( 15 397 310)
Amount paid - previous years	-	-
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>

**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2020**

	2020 R	2019 RESTATED R
<b>39.5 Distribution Losses</b>		
Units lost (kilowatts)	25 246 200	22 950 879
Units lost (sales price per kilowatts - rands)	47 135 349	38 176 198
Units lost due to normal distribution losses (sales price per kilowatts - rands [2020 : R 1.854, 2019 : R 1.759])	13 210 715	12 061 858
Units lost due to theft (sales price per kilowatts - rands [2020 : R 1.872, 2019 : R 1.677])	33 924 634	26 680 714
Units lost due to normal distribution losses (percentage)	8%	8%
Units lost due to theft (percentage)	20%	18%
<b>39.6 Pension and Medical Aid Deductions</b>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	28 462 737	27 507 154
Amount paid - current year	( 28 462 737)	( 27 507 154)
Amount paid - previous years	-	-
<b>Balance unpaid (included in payables)</b>	-	-
<b>39.7 Councillor's arrear consumer accounts</b>		
<b>as at 30 June 2020</b>		
None of the Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2020		
<b>as at 30 June 2019</b>		
Councillor: WN Mbatha Makhathini		131 602
Councillor: Mlotshwa TP		23 598
<b>Total Councillor Arrear Consumer Accounts</b>		<b>155 201</b>
<b>39.8 Deviations of Supply Chain Management Policy</b>		
<b>Tent Hire - KaMashaba Building and Electrical Project</b>		2 150
The procurement for Tent Hire did not follow the usual procurement process. There was a double booking on Glencoe Hall booking on the same day. The deviation was duly authorised by the Accounting Officer and was reported to Council.		
<b>Supply and Delivery of Fuel - Vryheid Petroleum</b>	213 160	
The appointment of the service provider for bulk supply of fuel did not follow the usual procurement process as the previous tender had expired and procurement of fuel was required to ensure continued service delivery. The deviation was duly authorised by the Accounting Officer and will be reported to Council.		
<b>Licence Renewal - Esri South Africa (Pty)Ltd</b>	31 752	
The award made to the service provider for the renewal of the GIS system licence did not follow the usual procurement process. The company is the sole supplier of the licence for the GIS system used by the municipality. The deviation was duly authorised by the Accounting Officer and will be reported to Council.		
<b>Installation of safety features - Jaguar Landrover</b>	138 000	
The procurement of additional safety features for the Mayoral vehicle did not follow the usual procurement process as the vehicle was procured via the National Treasury transversal contract. Extra safety features were needed for the Mayoral vehicle. The deviation were duly authorised by the accounting officer and will be reported to council.		
<b>Taxi Hire - Dundee Transport Operators</b>	45 000	
The procurement of taxis did not follow the usual procurement process as the se are emerging local artists sole providers of traditional music and that are not registered on the database. The deviation were duly authorised by the accounting officer and will be reported to council.		

**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2020**

	2020	2019
	R	RESTATED R
<b>Purchase of Fire engine - Stucky Motors</b>		
The procurement for the purchase of a fire engine for the fire truck did not follow the usual procurement process as the service provider was a sole provider due to the strip and quote. The deviation were duly authorised by the accounting officer and will be reported to council.	126 769	
<b>Purchase of Gearbox - Vryheid Gearbox Centre CC</b>		
The awarding of the quote for the purchase of a gearbox did not follow the usual procurement process as the supplier had to strip and quote to identify the fault. The deviation was duly authorised by the Accounting Officer and will be reported to Council.	63 250	
<b>Calibration of Equipment - Neffcon Roadtec CC</b>		
The appointment of a service provider for the calibration of the testing station equipments did not follow the usual procurement process as the supplier had to strip and quote. The deviation was duly authorised by the Accounting Officer and will be reported to Council.	13 731	
<b>Vehicle Repairs - Hitech Operators</b>		
The procurement for the repair of a municipal vehicle did not follow the usual procurement process as there was only two local engineering companies who could quote for the required services. The deviation was duly authorised by the Accounting Officer and will be reported to Council.	18 032	
<b>Payroll data extraction - CCG Systems</b>		
The appointment of a service provider for the extraction of data from the payroll system for input on the CCG system did not follow the usual procurement process. The scope of the contract with the new municipal system vendor did not included the extraction of the data that they needed for the CCG payroll module. The deviation was duly authorised by the Accounting Officer and will be reported to Council.	85 000	
<b>Hand Sanitizers - Siyadingana</b>		
<b>Hand Sanitizers 5l - JH Chemicals</b>		
<b>Hand Gloves - Siyadingana</b>		
The procurement of hand sanitizers and hand gloves did not follow the usual procurement process as the purchase was an emergency due to the COVID 19 disaster response. The deviation was duly authorised by the Accounting Officer and will be reported to Council.	15 000 19 090 7 500	
<b>N95 masks - Nembile Security</b>		
<b>3 Ply surgical masks - Playtime Entertainment</b>		
The procurement of masks did not follow the usual procurement process as the purchase was an emergency due to the COVID 19 disaster response and service delivery. The deviation was duly authorised by the Accounting Officer and will be reported to Council.	14 910 60 000	
<b>Purchase of Spare Parts - ELB Equipment Holdings</b>		
The awarding of the quote for the purchase of spare parts did not follow the usual procurement process as the supplier had to strip and quote to identify the parts required. The deviation was duly authorised by the Accounting Officer and will be reported to Council.	33 732	
<b>Food Parcel- TFS Wholesalers</b>		
The award to a service provider for the supply of food parcels did not follow the usual procurement process. The quotation was not advertised for the 7 day period stipulated for written price quotations. The supply was urgently needed in response to the COVID 19 disaster. The deviation was duly authorised by the Accounting Officer and will be reported to Council.	88 646	
<b>Hire of TLB - Ixoflo (Pty)Ltd</b>		
The award to a service provider for the supply of a TLB did not follow the usual procurement process. The TLB was urgently required to assist with the digging of graves during the lockdown. The deviation was duly authorised by the Accounting Officer and will be reported to Council.	9 936	
<b>Radio Slot - Igagazi 99.5</b>		
The procurement for the radio broadcast of the draft annual budget speech did not follow the usual procurement process. The radio station was identified due to its reach and was regarded as a sole provider. Broadcasts were done instead of an Imbizo due to the COVID 19 restrictions in place. The deviation was duly authorised by the Accounting Officer and will be reported to Council.	57 500	

**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2020**

2020	2019 RESTATED
R	R
578 105	

**Verification of Infrastructure assets - Combined Systems**

The awarding for the verification of infrastructure assets and the compilation of the Baud asset register did not follow the usual procurement process. The supplier is a sole supplier of the Baud asset system. The deviation was duly authorised by the Accounting Officer and will be reported to Council.

1 619 113	2 150
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**SCM Section 45 disclosures - Awards made to spouse, child or parent of a person in the service of the state**

During the year council appointed SKG attorneys who provided legal services to the municipality. The sole proprietor SK Gayapersad declared that his wife R Gayapersad is in the service of the state employed at the KZN Department of Justice and Constitutional Development. The value of the award is R204 345.06.

204 345

**40 CAPITAL COMMITMENTS**

**40 Commitments in respect of capital expenditure**

**- Approved and contracted for**

Infrastructure  
Other

<b>26 148 838</b>	<b>13 631 402</b>
-------------------	-------------------

16 127 254	3 422 541
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10 021 583	10 208 861
------------	------------

**- Approved but not yet contracted for**

Infrastructure  
Other

<b>3 561 344</b>	-
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2 781 598	-
-----------	---

779 746	-
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**Total**

29 710 181	13 631 402
------------	------------

This expenditure will be financed from government grants and internal funding.

- Grant Funded  
- Council funded  
- External Loans

13 364 215	3 422 541
------------	-----------

16 345 966	10 208 861
------------	------------

-	-
---	---

29 710 181	13 631 402
------------	------------

**Operating leases – as lessor**

The future minimum lease payments receivable under operating leases are as follows:

**Minimum lease payments due**

Within one year  
In second to fifth year inclusive  
After five years

3 104

-

-

**Total**

3 104	-
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Operating lease payments receivable relate to rentals for the commonage, vacant land, airport hangers, buildings, advertising space and housing. Operating leases have been straightlined in accordance with GRAP requirements.

**41 EMPLOYEE BENEFITS**

**41 Defined Benefit Plans**

**Post-employment Medical Benefits**

The municipality operates on 5 accredited medical aid schemes, namely Bonitas, Hosmed, Keyhealth, LA Health and Samwumed. Pensioners continue on the option they belonged to on the day of their retirement.

The independent valuers, One Pangaea, carried out a statutory valuation as at 30 June 2020.

**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2020

	2020	2019 RESTATED
	R	R
<b>Statement of Financial Position</b>		
The amounts recognised in the Statement of Financial Position were determined as being the present value of the obligation:		
Balance at beginning of the year	52 822 113	50 997 478
Current service cost	2 210 501	2 093 259
Interest cost	5 180 991	4 953 576
Benefit payments	( 2 468 265)	( 2 195 684)
Actuarial (gains)/losses	( 9 097 816)	( 3 026 516)

<b>Balance at the end of year</b>	<b>48 647 524</b>	<b>52 822 113</b>
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Current Provision	3 255 477	2 846 781
Non Current Provision	45 392 047	49 975 332

<b>48 647 524</b>	<b>52 822 113</b>
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**Statement of Financial Performance**

Current service cost	2 210 501	2 093 259
Interest cost	5 180 991	4 953 576
Actuarial (gains)/losses	( 9 097 816)	( 3 026 516)

<b>Total</b>	<b>( 1 706 324)</b>	<b>4 020 319</b>
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**Net expense In Statement of Financial Performance**

Total Contribution to post employment medical	( 1 706 324)	4 020 319
Total Contribution to long service (see note 13)	644 407	639 925
	<b>( 1 061 917)</b>	<b>4 660 244</b>

**Principal actuarial assumptions:**

Discount rate	12.34%	10.08%
How was the discount rate determined	Market yields on government bonds	
Increase in health care cost	8.74%	8.04%
Active members expected to continue after retirement	100%	100%
Average retirement age	63	63

**Mortality pre-retirement**

Pre- retirement mortality at 30 June 2020	SA 85-90	SA 85-90
-------------------------------------------	----------	----------

**Mortality post-retirement**

(Allow for 1% per annum mortality improvement factor from 2010)	PA (90)	PA (90)
-----------------------------------------------------------------	---------	---------

The value of the liabilities is particularly sensitive to the assumed rate of healthcare cost inflation. The sensitivity of the valuation result to a 1% increase and 1% decrease in the assumed healthcare cost inflation assumption is set out below:

Healthcare cost inflation sensitivity	1% decrease	30 June 2020 valuation basis	1% increase
Defined benefit obligation	54 312 401	48 647 524	43 941 087
Service cost (next financial year)	2 176 336	1 826 958	1 549 652
Interest cost (next financial year)	5 974 441	5 802 241	5 644 601

**42 CONTINGENT LIABILITY**

**Endumeni Municipality vs Mbube Security (Appeal proceedings)**

This is an appeal on the award of a security tender to the preferred bidder. Attorneys have been instructed not to proceed further

125 691

**Endumeni Municipality vs D Padayachee**

Attorneys await record and notices to prepare condonation application and answering affidavit, matter still pending.

100 000

**Endumeni Municipality vs LJ Siwela**

This is a civil litigation case. A fraudulent qualification certificate was submitted by a previous employee who has now been dismissed. Decision has been taken to recover all monies paid to employee. An application to interdict the KwaZulu-Natal Municipal Pension Fund from paying any benefit due to LJ Siwela was granted, pending the finalisation of criminal proceedings which have been instituted and a civil action which has also been instituted.

60 000

**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	2020	2019 RESTATED
	R	R
<b>Endumeni Municipality vs SR Mbatha</b>		
Letter of demand has been sent to recover irregular expenditure for close protection travel, no response has been forthcoming. Summons have prepared against SR Mbatha.	110 000	
<b>Endumeni Municipality vs Mr T.P. Biyela</b>		
Letter of demand sent to recover an amount of R75 000 which was unlawfully paid to Umzinyathi news. Attorney's await annexures to the forensic report to finalise the summons.	15 000	
<b>Endumeni Municipality vs SR Mbatha</b>		
Letter of demand sent to recover an amount of R50 000 which was unlawfully paid/donated to the church. No response has been forthcoming. Attorney's await annexures to the forensic report to finalise the summons.	15 000	
<b>Endumeni Municipality vs BB Mdletshe</b>		
<b>Endumeni Municipality vs Mr T.P. Biyela</b>	15 000	
Letter of demand sent to recover an amount of R83 670 which was unlawfully paid to Olive Root Consulting. No response has been forthcoming. Attorney's await annexures to the forensic report to finalise the summons.	15 000	
<b>Endumeni Municipality vs Sentas</b>		
<b>Endumeni Municipality vs Mr TP Biyela</b>	10 000	
<b>Endumeni Municipality vs BB Mdletshe</b>	10 000	
Letter of demand sent to Director of Sentas, Mr T.P. Biyela and Mr BB Mdletshe following the irregular donation payment of R30 000 made to Sentas Business Enterprise, no response has been forthcoming. Attorney's await annexures to the forensic report to finalise the summons.	10 000	
<b>Endumeni Municipality vs Makgatho</b>		
	50 000	
This matter was referred to Court to enforce a contract that was terminated by the Municipality. The judge ordered the plaintiff to amend particulars of claim. Corresponding attorneys instructed to obtain a copy of the court order.		
<b>Endumeni Municipality vs N Zitha</b>		
Summons have been prepared against Miss Zitha. Attorneys shall revert as soon as sheriffs return is received.	50 000	
<b>Endumeni Municipality vs SM Ngwenya</b>		
Attorneys have issued papers for the application for review as well as arbitration award order. Mr Ngwenya has not filled the notice of intention to oppose and his replying affidavit.	50 000	
<b>Endumeni Municipality vs SM Surewe</b>		
Attorneys have prepared summons against Seruwe and instructed agents to attend to same. Attorneys shall revert once sheriffs return is received.	50 000	
<b>Endumeni Municipality vs VM Ntombela</b>		
Summons have been served to VM Ntombela. Attorneys then instructed the sheriff to serve the Defendant personally and shall revert,	100 000	
<b>Endumeni Municipality vs Endumeni Contractors</b>		
Attorneys have instructed counsel to draft summons and particulars of claim. Attorneys shall revert once this is finalised	200 000	
<b>Endumeni Municipality vs Mzinyathi News</b>		
<b>Endumeni Municipality vs Mr TP Biyela</b>	10 000	
<b>Endumeni Municipality vs BB Mdletshe</b>	20 000	
Following a letter of demand being sent to recover an amount of R75 000 that was unlawfully paid to Umzinyathi News. No response has been forthcoming. Attorneys have prepared summons. Attorney's await annexures to the forensic report to finalise the summons.	20 000	
<b>Endumeni Municipality vs LJ Siwela</b>		
	100 000	
Attorneys have prepared summons and instructed sheriff to serve same on 24th August 2020. Attorneys shall revert as soon as sheriffs return is received.		
<b>Mbube Security vs Endumeni Municipality and another</b>		
Mbube security had taken the Endumeni municipality to court for the appointment of Ocean dawn for the provision of security services and for the contempt of court. The matter was finalised but the municipality is liable for the various cost orders granted by the High court.	1 131 429	

**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2020**

	2020	2019
	R	RESTATED R
<b>43 RELATED PARTIES</b>		
<b>Members of key management</b>		
Mayor	521 048	266 018
Deputy Mayor	426 433	91 135
Speaker	424 998	276 779
Mpac Chair	390 418	-
Executive Committee	400 993	445 311
Councillors	2 515 597	3 025 544
Section 56 and 57 managers	4 668 769	3 911 847

Compensation to councillors and other key management (refer to note 23 & 24)

**44 EVENTS AFTER THE REPORTING DATE**

No events after the reporting date noted to warrant disclosure. Measures to deal with the impact of Covid-19 are disclosed below.

**COVID-19 Exposure**

Since the emergence of the Corona virus (COVID-19) in December 2019 and its subsequent spread throughout the world, many local communities have been severely impacted. In South Africa, the government placed the country under lock down with effect from March 2020 as part of the measures to contain the further spread of the virus in the country. Some businesses required to cease or limit operations for long periods of time. Measure taken to contain the spread of the virus include travel bans, quarantines, social distancing and closures of non-essential services have triggered significant disruptions to businesses resulting in an economic slowdown.

The measures that were taken resulted in some losses which in turn affected the municipality's ability to collect revenue from consumers. In an effort to assist the community the municipality has put in place certain debt incentives. National government gazetted a special budget in which additional equitable share has been allocated to the municipality in the 2021 financial year. Some of these funds will be set aside to assist the ratepayers.

It is uncertain when all the measure to contain the virus will be lifted, however the municipality will continue working with stakeholders in order to continue with service delivery whilst also ensuring the financial sustainability of the municipality

**45 RISK MANAGEMENT**

**Maximum credit risk exposure**

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

The municipality does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.  
Financial assets exposed to credit risk at year end were as follows:

Except as detailed below, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

Cash and Cash Equivalents	34 333 310	43 181 420
Financial guarantees	153 310	153 310
Trade and other receivables	36 272 536	24 284 780
<b>Maximum Credit Exposure</b>	<b>70 759 157</b>	<b>67 619 510</b>

These balances represent the maximum exposure to credit risk.

**Liquidity risk**

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

**Endumeni Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2020**

	2020 R	2019 RESTATED R
	Not later than one month	Later than one month and not later than three months
<b>2020</b>		
Gross finance lease obligations	-	-
Borrowings	-	-
Trade and other payables	19 092 676	-
Other	-	-
	Later than three months and not later than one year	Later than one year and not later than five years
<b>2019</b>		
Gross finance lease obligations	-	-
Borrowings	-	-
Trade and other payables	17 981 694	-
Other	-	-

**Interest rate risk**

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. The municipality does not have any long term borrowings.

**46 RESTATEMENT OF COMPARATIVE INFORMATION**

During the year it was noted that Overalls and Protective clothing was erroneously recorded as employee related costs expenditure instead of operational expenditure. The staff are provided with protective clothing to execute their duties and not as a fringe benefit. As the expenditure it not regarded as a fringe benefit in accordance with MSCOA, an adjustment was made to prior year to reclassify the expenditure from employee related costs to operational expenditure.

**Statement of Financial Performance:**

<b>Employee Related Cost</b> (as previously classified)	111 809 502
Protective Clothing and Uniforms	( 462 453)
	<u>111 347 049</u>
<b>Operational Costs - Other General Expenses</b> (as previously classified)	49 691 512
Creditor invoices identified after year end	93 454
Protective Clothing and Uniforms	462 453
	<u>50 247 419</u>

Call deposits held were previously classified and disclosed as Investments in the Statement of Financial Position. These call deposits do not meet the definition of Investments as they are short term highly liquid investments, readily convertible into cash with maturities of three months or less. As a result amounts previously classified as Investments were included with Cash at bank and reclassified as Cash and Cash Equivalents on the Statement of Financial Position. The effect of this reclassification is reflected below.

**Statement of Financial Position**

Bank balances and Cash (as previously classified)	5 281 198
Current Investments reclassified as Short-term Deposits	37 900 222
	<u>43 181 420</u>

**47 COMPARISON WITH THE BUDGET**

The comparison of the Municipality's actual financial performance with that budgeted is set out in note 47.1 and 47.2

#### 47. COMPARISON TO BUDGET

##### 47.1 ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)

	Actual	Budget	Variance	Variance	Explanation of significant Variance
	2020	2020	2020	2020	greater than 15% versus Budget
	R	R	R	%	
<b>REVENUE</b>					
Revenue from exchange transactions	143 353 277	159 798 287	( 16 445 009)	-10%	
Service charges	135 517 062	149 667 216	( 14 150 154)	-9%	
Rental of facilities and equipment	1 394 488	1 424 271	( 29 783)	-2%	
Interest earned- external investments	2 799 884	2 800 000	( 116)	0%	
Interest earned- outstanding receivables	-	-	-		
Licences and permits	2 927 625	4 125 700	( 1 198 075)	-29%	Revenue not realised due to National State of Disaster
Operational Revenue from exchange transactions	989 218	1 611 100	( 621 882)	-39%	
Gain on disposal of asset	-	170 000	( 170 000)		
Gain on fair value of asset	( 275 000)	-	( 275 000)	100%	Fair value assessment done on investment properties
Revenue from non-exchange transactions	168 669 974	179 130 332	( 10 460 358)	-6%	
Property rates	83 643 629	83 407 732	235 897	0%	
Fines, penalties and forfeits	14 100 307	14 255 600	( 155 293)	-1%	
Government grants and subsidies	70 926 038	81 467 000	( 10 540 962)	-13%	Unspent conditional grants due to delay in expenditure on capital
<b>Total Revenue</b>	<b>312 023 251</b>	<b>338 928 619</b>	<b>( 26 905 368)</b>		
<b>EXPENDITURE</b>					
Employee related cost	115 350 307	123 469 934	( 8 119 627)	-7%	
Remuneration of councillors	4 679 487	4 757 148	( 77 661)	-2%	
Debt Impairment	10 671 309	7 463 668	3 207 641	43%	High rate of debtor non-payment than anticipated. Economic conditions
Depreciation and asset impairment	13 737 634	11 216 793	2 520 841	22%	Budget estimates were lower than the actual.
Finance cost	-	-	-		
Bulk purchases	103 897 454	104 045 941	( 148 487)	0%	
Contracted services	20 504 219	29 587 782	( 9 083 563)	-31%	Savings realised due to National State of Disaster and lower contractual commitments.
Other Expenditure	41 239 753	52 365 816	( 11 126 063)	-21%	
Loss on disposal of assets	-	-	-		
<b>Total Expenditure</b>	<b>310 080 164</b>	<b>332 907 082</b>	<b>( 22 826 918)</b>		
<b>NET (DEFICIT) / SURPLUS FOR THE YEAR</b>	<b>1 943 087</b>	<b>6 021 537</b>	<b>( 4 078 450)</b>		

ENDUMENI MUNICIPALITY  
UNAUDITED NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020

47. COMPARISON TO BUDGET (Continued)

47.2 ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)

	2020 Total Additions R	2020 Budget R	2020 Variance R	2020 Variance %	Explanation of Significant Variances Greater than 5% versus Budget
EXECUTIVE AND COUNCIL	1 082 495	700 000	382 495	55%	
MUNICIPAL MANAGER	33 949	28000	5 949	21%	
CORPORATE SERVICES	248 783	10 952 167	( 10 703 384)	-98%	
TECHNICAL SERVICES	3 020 664	11 126 189	( 8 105 525)	-73%	
FINANCIAL SERVICES	11 391 951	81 400	11 310 551	13895%	
PLANNING & DEVELOPMENT*	28 950	170 930	( 141 980)	-83%	
	15 806 792	23 058 686	( 7 109 914)	-31%	MIG funds of R2,9 million and R3 million Massification grant was unspent at year end. Many capital projects were on hold due to the National State of Disaster.

The appendix includes additions figures for Property, Plant and Equipment (note 7) and Intangible Assets (note 8) only.

## UNAUDITED SUPPLEMENTARY APPENDIX B - Analysis of Property Plant and Equipment as at 30 June 2020

Appendix 6 - Analysis of Project Profit and Equipment as at 30 June 2020														
Cost	Retained Cost 30 June 2019	Prior year adjustment	Restated Cost 30 June 2019	Additions 2020	Additions 30 June 2020	Fair Value Adjustment	AUC released 2020	Closing cost 30 June 2020	Accumulated depreciation as at 30 June 2019 per RPS	Transfer	Restated accumulated depreciation 30 June 2019	Depreciation charge 30 June 2020	Disposals	Accumulated depreciation as at 30 June 2020
and	61 009 564.48	-40 027.76	60 969 536.72	-	-	-	-239 506.46	97 538 330.12	20 978 563.00	-	20 978 563.00	2 720 505.06	-	23 697 068.06
Community assets														
Dwellings	8 653 354.47	-	8 653 354.47	-	-	-	-	8 653 354.47	6 302 191.01	-	6 302 191.01	237 420.22	-	6 539 611.23
Residential Dwellings	71 799 024.82	-	71 799 024.82	171 813.50	-	-	9 235 527.53	81 208 345.85	14 674 371.99	-	14 674 371.99	2 483 084.84	-	96 698.86
UC Buildings	8 114 242.90	-	8 114 242.90	-	-	-	-9 855 033.39	7 638 619.89	-	-	-	-	-	1 970 139.96
Total Buildings	88 536 622.19	-	88 536 622.19	171 813.50	-	-	-239 506.46	97 538 330.12	20 978 563.00	-	20 978 563.00	2 720 505.06	-	23 697 068.06
Infrastructure														
Electricity	47 981 458.51	-	47 981 458.51	158 650.00	-	-	-	48 140 108.51	19 524 137.90	-	19 524 137.90	1 270 993.96	-	20 795 131.86
Electricity	124 703.85	-	124 703.85	-	-	-	-	961 023.43	57 378 683.17	-	57 378 683.17	5 644 839.60	-	63 023 522.77
Road	183 407 790.14	-	183 407 790.14	27 900.00	-	-	-	183 435 690.14	3 065 378.05	-	3 065 378.05	4 222 148.22	-	4 657 601.35
UC Roads	2 196 181.49	-	2 196 181.49	-	-	-	-	6 553 935.70	226 726.00	-	226 726.00	3 972 078.28	-	3 972 078.28
Solid waste	6 553 935.70	-	6 553 935.70	-	-	-	-	226 726.00	3 972 078.28	-	3 972 078.28	3 972 078.28	-	3 972 078.28
UC Land Fill Site	226 726.00	-	226 726.00	-	-	-	-	3 972 078.28	3 972 078.28	-	3 972 078.28	3 972 078.28	-	3 972 078.28
Telecommunications	3 972 078.28	-	3 972 078.28	-	-	-	-	3 972 078.28	3 972 078.28	-	3 972 078.28	3 972 078.28	-	3 972 078.28
UC Canteen	3 972 078.28	-	3 972 078.28	-	-	-	-	3 972 078.28	3 972 078.28	-	3 972 078.28	3 972 078.28	-	3 972 078.28
Total Infrastructure	247 831 869.23	-	247 831 869.23	186 550.00	-	-	-	250 242 879.54	82 144 716.45	-	82 144 716.45	7 605 083.60	-	89 749 780.05
Other Assets														
Furniture and equipment	4 819 790.04	-	4 819 790.04	61 150.00	-	-	-	4 880 940.04	2 895 508.33	-	2 895 508.33	404 642.70	-	3 300 151.03
Computer equipment	5 524 887.93	-	5 524 887.93	181 449.00	-	-	-	5 706 336.93	9 752 620.95	-	9 752 620.95	523 330.70	-	10 280 000.00
Furniture and equipment	18 846 974.40	-	18 846 974.40	244 931.00	-	-	-	19 091 906.40	7 883 952.79	-	7 883 952.79	1 401 056.69	-	9 248 609.48
Transport assets	13 887 970.42	-	13 887 970.42	2 329 816.13	-	-	-	16 217 786.55	7 883 952.79	-	7 883 952.79	960 038.27	-	8 849 940.99
Total Other assets	43 039 622.78	-	43 039 622.78	4 136 669.04	-	-	-	47 176 291.82	22 520 384.79	-	22 520 384.79	3 290 138.35	-	25 810 523.14
Total Other assets	43 039 622.78	-	43 039 622.78	4 136 669.04	-	-	-	47 176 291.82	22 520 384.79	-	22 520 384.79	3 290 138.35	-	25 810 523.14
Leased assets	9 259.78	-	9 259.78	-	-	-	-	9 259.78	8 806.73	-	8 806.73	163.37	-	8 973.10
Leasing schemes	1 124 352.63	-816 722.68	307 629.95	-	-	-	-	307 629.95	125 050 473.97	-	125 050 473.97	13 616 000.39	-	139 266 474.36
Total PPE	441 571 331.10	-856 750.44	440 714 580.66	4 495 027.54	-	-	0.00	455 211 372.80	125 050 473.97	-	125 050 473.97	13 616 000.39	-	139 266 474.36
Tangible assets	994 121.20	-	994 121.20	-	-	-	-	994 121.20	878 610.23	-	878 610.23	32 725.49	-	911 335.72
Investment Properties	55 822 000.00	-	55 822 000.00	-	-	-	-275 000.00	55 547 000.00	-	-	-	-	-	-
Total assets	498 337 454.30	-856 750.44	497 580 703.86	4 495 027.54	-	-	-275 000.00	513 062 495.00	126 529 084.20	-	126 529 084.20	13 648 725.88	-	140 177 810.08
Liabilities														
Provisions														
Other liabilities														
Total liabilities														
Net assets														
Equity														
Reserves														
Retained earnings														
Other reserves														
Total equity														
Total net assets														
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Equity														
Reserves														
Retained earnings														
Other reserves														
Total equity														</

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**Endument Municipality**  
**APPENDIX C**  
**UNAUDITED SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT**  
as at 30 June 2020

as at 30 June 2020																	
	Cost / Revaluation					Accumulated Depreciation							Accumulated Impairment				
	Restated Opening Balance R	Prior year adjustment R	Fair Valued/ Donations	Additions		AUC Released R	Closing Balance R	Restated Opening Balance		Depreciation R	Disposals R	Closing Balance R	Opening Balance	Prior Year adjustment	Impairment adjustment	Closing Balance	
				Additions	Infra			R	R								
Executive and council	50 408 273	-1 115 000	-275 000	1 082 495	-	-	50 100 768	1 494 758	317 685	-	1 812 453	10 889	-	-	-	10 889	48 277 426
Municipal manager	1 575 381	-	-	33 949	-	-	1 609 330	548 851	166 892	-	715 743	1 429	-	-	-	1 429	892 168
Corporate services	94 758 243	-72 030	-	248 783	-	9 565 014	104 500 009	21 624 448	2 973 682	-	24 598 140	1 434 831	-	-	4 503	1 439 334	78 462 536
Technical services	315 425 756	-744 692	-	3 020 664	-	-	317 701 728	97 088 703	9 545 257	-	106 643 959	4 095 888	-	-33 437	117 131	4 179 582	206 878 187
Financial services	36 900 046	-40 028	-	80 191	-	-9 565 014	36 686 955	5 605 162	585 507	-	6 190 669	901 976	-	-	-	901 976	31 594 310
Planning and development	434 765	-	-	28 950	-	-	463 705	157 163	59 683	-	216 846	176	-	-	-	176	246 683
Total	499 502 454	-1 971 750	-275 000	4 495 033	11 311 760	-0	513 062 496	126 529 084	13 648 726	-	140 177 810	6 445 189	-33 437	121 634	-	6 533 386	366 351 300

The appendix includes figures for Property, Plant and Equipment (note 7), Intangible Assets (note 8) and Investment Properties (note 9).

Endumeni Municipality

APPENDIX D

UNAUDITED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE  
as at 30 June 2020

2019		2019		2020		2020	
Actual Income	R	Actual Expenditure	Surplus / (Deficit)	Actual Income	R	Actual Expenditure	Surplus / (Deficit)
10 240 686		59 319 670	( 49 078 984)	9 316 053		62 363 125	( 53 047 072)
97 416 069		37 664 706	59 751 363	103 361 140		27 758 856	75 602 284
39 254 018		23 136 438	16 117 580	40 255 313		19 225 451	21 029 862
184 019 729		186 946 081	( 2 926 352)	158 677 313		188 824 647	( 30 147 334)
543 172		10 961 899	( 10 418 727)	688 433		12 183 085	( 11 494 653)
<b>331 473 675</b>		<b>318 028 795</b>	<b>13 444 880</b>	<b>312 298 251</b>		<b>310 355 164</b>	<b>1 943 087</b>
			Total				

The inter-departmental charges have been allocated per segment for the current and prior years.